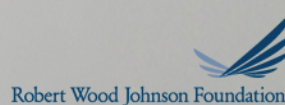
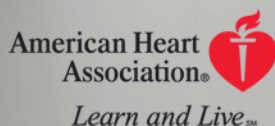


Tobacco Taxes: A Win-Win-Win for Cash-Strapped States



February 10, 2010



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This report is available online at <http://tobaccofreekids.org/winwinwin/>.

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Tobacco Taxes: A WIN-WIN-WIN for Cash-Strapped States

EXECUTIVE SUMMARY

Virtually every state in the country is facing severe budget shortfalls as a result of the recession. Governors and state legislators must make tough decisions to raise revenue and/or cut programs that are important to voters, such as health care and education. Now, more than ever, increasing tobacco taxes is a WIN-WIN-WIN proposition for the states:

- **A Budget WIN:** Even while reducing tobacco use, higher tobacco taxes have proven to be a reliable and predictable source of significant and immediate new revenue for the states. The declines in tobacco use will also produce considerable health care savings.
- **A Health WIN:** Increasing tobacco prices by raising tobacco taxes is one of the most effective ways to reduce tobacco use, especially among youth. States can achieve even larger public health benefits if they use some of their new tobacco tax revenue to fund tobacco prevention and cessation programs.
- **A Political WIN:** As underscored by a new poll being released as part of this report, large majorities of voters of all political persuasions and demographic groups **support** increasing tobacco taxes. In contrast, majorities of voters **oppose** other options for balancing budgets, such as increasing other taxes or cutting important programs.

This report details the revenue and health benefits to each state of increasing its cigarette tax by \$1 per pack. In addition to billions of dollars in new revenue, these benefits include declines in youth and adult smoking with the resulting savings in lives and health care dollars.

If every state and Washington, DC, raised their cigarette tax rates by \$1 per pack, they would:

- Raise \$9.1 billion in new annual state revenues;
- Save \$52.8 billion in immediate and long-term health care costs;
- Prevent more than 2.3 million kids from becoming smokers;
- Prompt more than 1.2 million adult smokers to quit; and
- Prevent more than 1 million premature deaths from smoking.

State-specific projections of the benefits from a \$1 per pack cigarette tax increase are presented in the last section of this report. Additional benefits accrue from increasing tax rates on other tobacco products (OTPs) such as smokeless tobacco (e.g., dip, chew) and cigars to parallel cigarette tax rates.

A new national poll, conducted January 20-24, 2010, also shows how higher tobacco taxes are a political win for policy makers. Not only do 67 percent of American voters favor a \$1 increase in their state's cigarette tax, increasing the tobacco tax is **by far** the most preferred measure for addressing state budget deficits when compared to increasing other taxes or cutting programs such as health care, education, and transportation.

State Tobacco Tax Increases: A Budget WIN, A Health WIN, A Political WIN

The State Budget Crisis

As state legislatures meet for their 2010 sessions, the severe budget shortfalls they have faced in recent years not only continue but, in some cases, may be getting worse. According to a January 2010 report by the Center on Budget and Policy Priorities, 48 states have addressed or still face budget shortfalls in their fiscal year 2010 budgets, totaling \$194 billion or 28 percent of state budgets. According to the Center, this is the largest gap on record.

For fiscal year 2011, the Center estimated budget gaps at \$102 billion, or 17 percent of budgets, for the 41 states that have estimated the size of these gaps. The Center report found that these totals are likely to grow as revenues continue to deteriorate and may well exceed \$180 billion. Additional budget gaps are expected in fiscal year 2012.¹

These budget gaps are the result of decreased revenues due to the recession, as well as greater than expected spending on safety-net programs such as Medicaid.

As a result, governors and legislators across the country are facing difficult choices about how to raise revenue and/or cut essential services such as health care, education, transportation, and public safety. With many programs having already been cut drastically in fiscal 2010, the choices for fiscal 2011 are even more dire. In recent weeks, as they have presented new budgets, governors have proposed cancellation of health coverage for low-income adults and children alike, elimination of cash assistance for poor families, cuts to education at all levels, large Medicaid cuts and reduction or elimination of financial assistance to poor seniors and people with disabilities.²

While no single measure will entirely address a state's budget problems, increasing the tobacco tax will raise significant revenue to help preserve essential programs, reduce tobacco use and its huge toll in health, lives and dollars, and gain the support of large majorities of voters. In short, raising the tobacco tax is a WIN, WIN, WIN for the states. It is a WIN for state budgets because, despite declines in tobacco consumption, it will produce significant new revenue and reduce health care costs. It is a WIN for public health because it will reduce tobacco use and its devastating health effects. Finally, as new national poll results in this report and dozens of state-level polls show, it is a political WIN for policy makers, as overwhelming majorities of voters across the country support tobacco tax increases.

Methodology for Projecting New Revenues and Health Benefits

This report projects the revenue and health benefits to each state of increasing its cigarette tax by \$1 per pack. These projections are based on research findings that a 10 percent cigarette tax increase, if maintained against inflation, reduces youth smoking rates by 6.5 percent or more, adult rates by two percent, and total consumption by four percent. These projections are fiscally conservative because they include a generous adjustment for lost state pack sales (and

¹ McNichol, E & Johnson, N, "Recession Continues to Batter State Budgets; State Responses Could Slow Recovery," Center on Budget and Policy Priorities, Revised January 28, 2010, <http://www.cbpp.org/cms/index.cfm?fa=view&id=711>.

² Johnson, N, Oliff, P, & Williams, E, "An Update on State Budget Cuts: Governors Proposing New Round of Cuts for 2011; At Least 43 States Have Already Imposed Cuts That Hurt Vulnerable Residents," Center on Budget and Policy Priorities, Updated January 28, 2010, <http://www.cbpp.org/cms/index.cfm?fa=view&id=1214>.

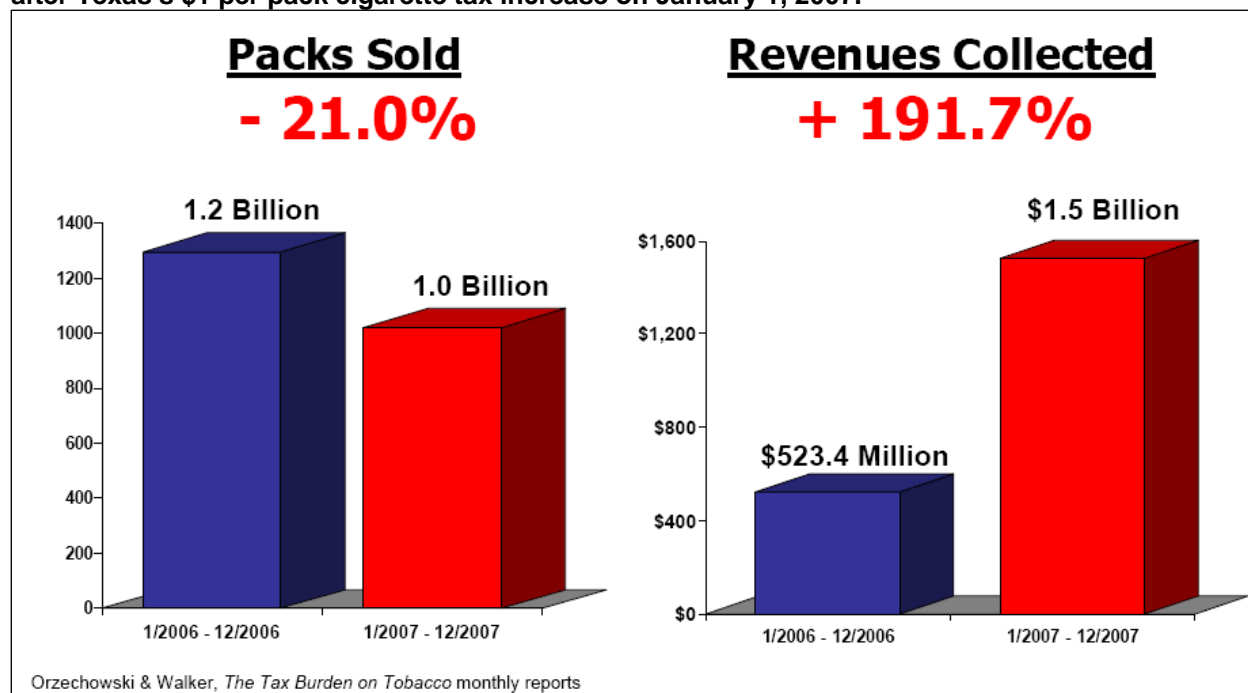
lower net new revenues) from possible new smuggling and tax evasion after the rate increase and from fewer sales to smokers or smugglers from other states. Despite the adjustments, these projections still show that a \$1 cigarette tax increase will both substantially increase state revenues and significantly reduce smoking levels in every state. A full description of the methodology for projecting these state-specific benefits can be found in Appendix G.

WIN #1: A Budget Win

Every single state that has raised its cigarette tax rate significantly has generated dramatic new revenue despite the declines in smoking that occur as a result of the price increase. This is simply because the increased tax per pack brings in more new state revenue than is lost from the related reductions in the number of packs sold and taxed in the state.

There are countless examples of this result. In 2007, Texas increased its cigarette tax by \$1 per pack from 41 cents to \$1.41 per pack. As shown in Figure 1, in the 12 months immediately following this increase, cigarette tax revenues increased almost three-fold, from \$523 million to \$1.5 billion. This was despite a 21 percent decline in the number of packs sold in the state.

Figure 1. Cigarette packs sold and cigarette tax revenues collected in the 12 months before and after Texas's \$1 per pack cigarette tax increase on January 1, 2007.



The same pattern occurs in states with much smaller populations. In January 2007, South Dakota (see Figure 2) increased its cigarette tax by \$1 from 53 cents to \$1.53 per pack. In the year following that increase, while pack sales declined by 25.8 percent, revenues increased by 115.4 percent, producing \$31.8 million in new revenue for the state. Similarly, when Maine (see Figure 3) increased its cigarette tax by \$1 to \$2 per pack in September 2005, its cigarette pack sales declined by 12.3 percent, whereas state cigarette revenues increased by 76.5 percent. That's more than \$71 million in new revenue.

Figure 2. Cigarette packs sold and cigarette tax revenues collected in the 12 months before and after South Dakota's \$1 per pack cigarette tax increase on January 1, 2007.

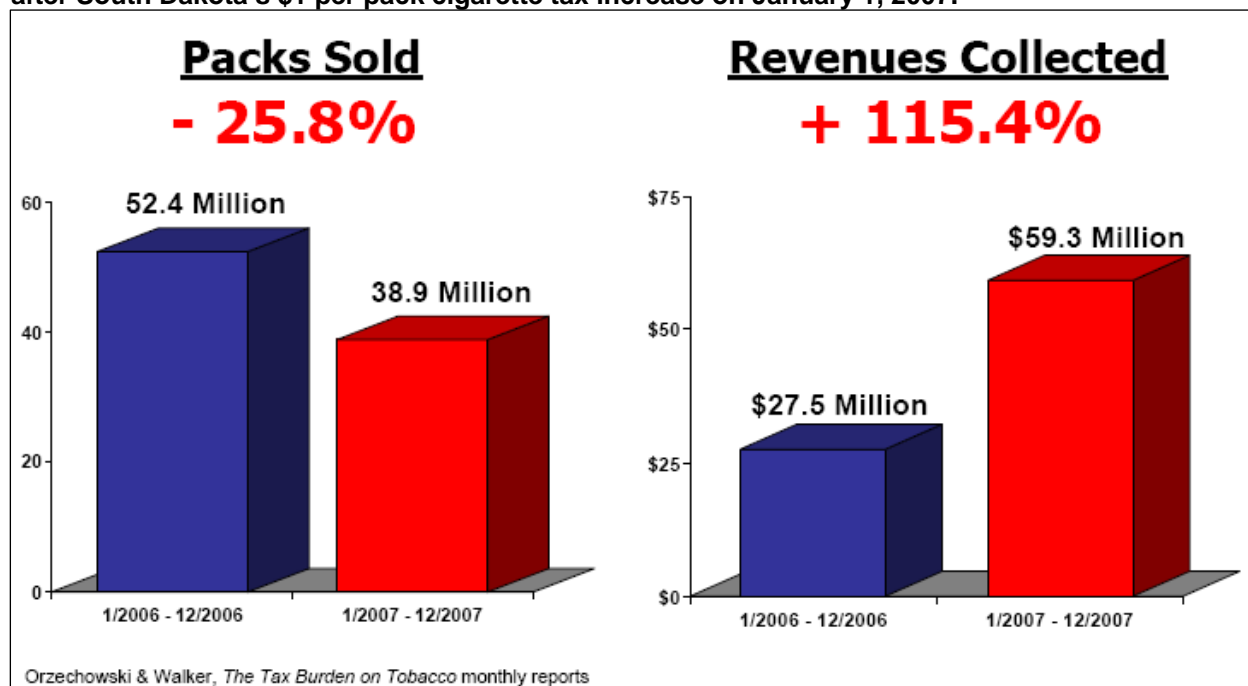
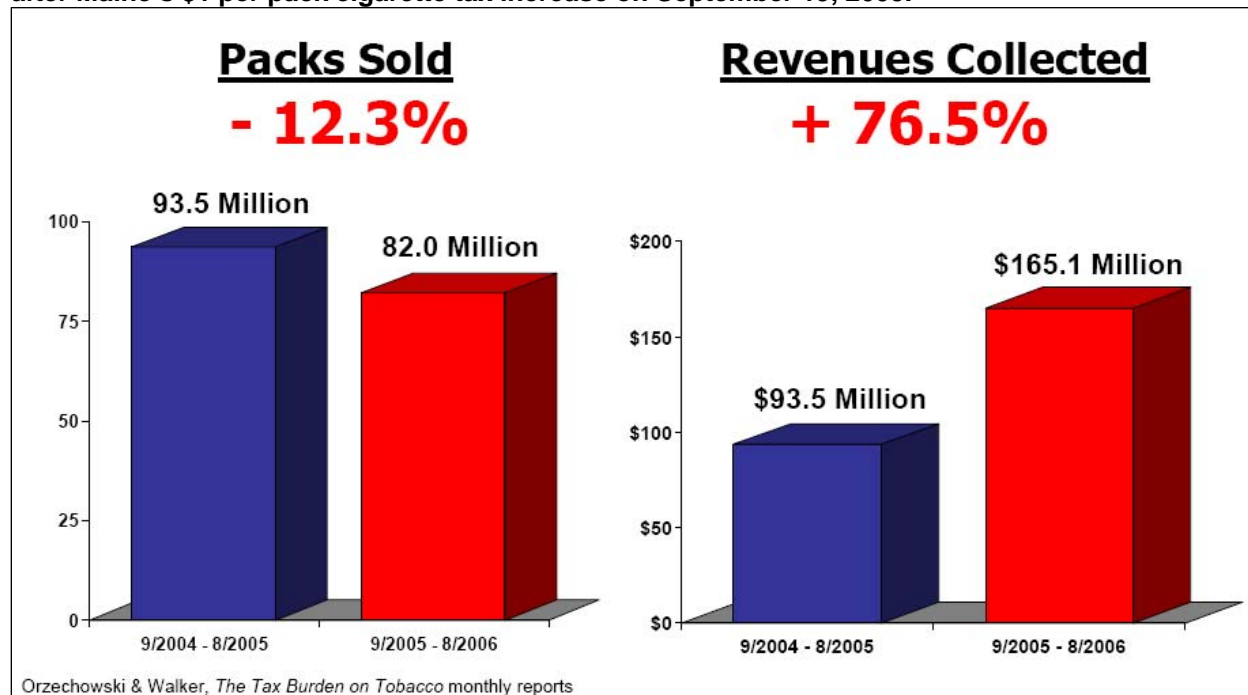


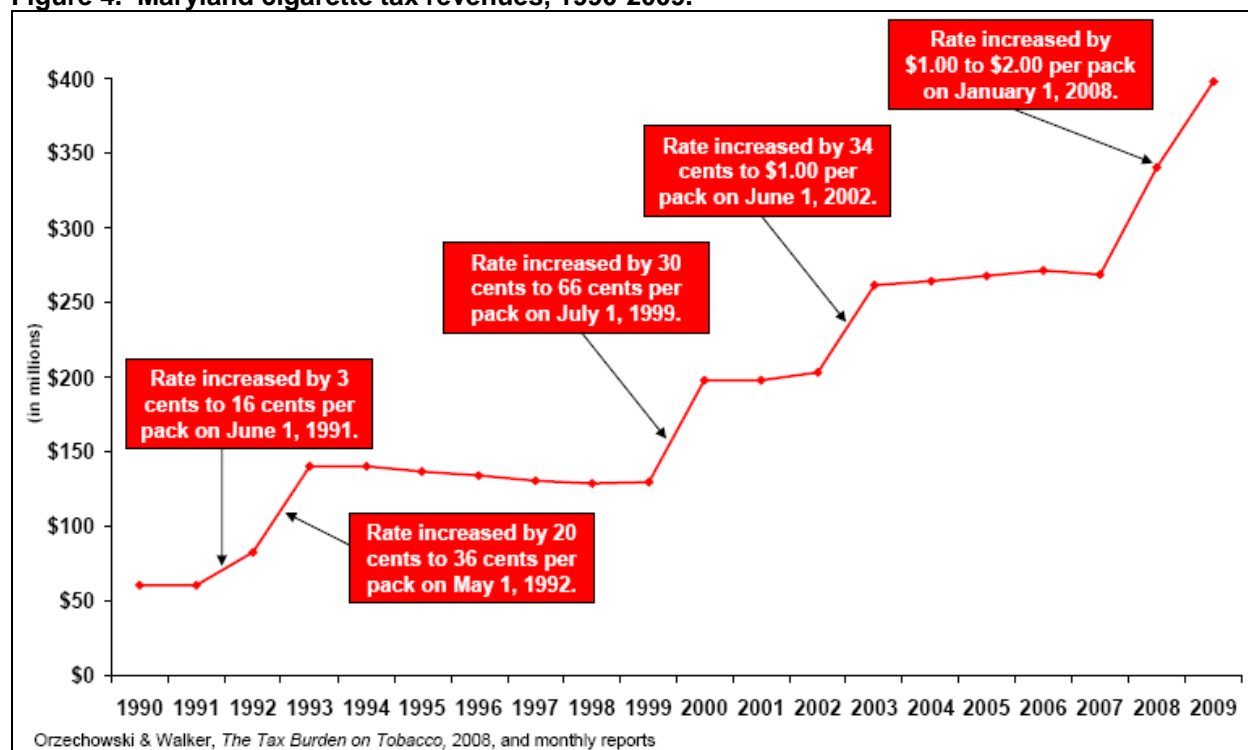
Figure 3. Cigarette packs sold and cigarette tax revenues collected in the 12 months before and after Maine's \$1 per pack cigarette tax increase on September 19, 2005.



These dramatic increases in revenue have been experienced over and over and are likely the biggest reason that 46 states and Washington, DC, have increased their cigarette tax rates more than 100 times since January 2000. Even states that have recently increased tobacco taxes can

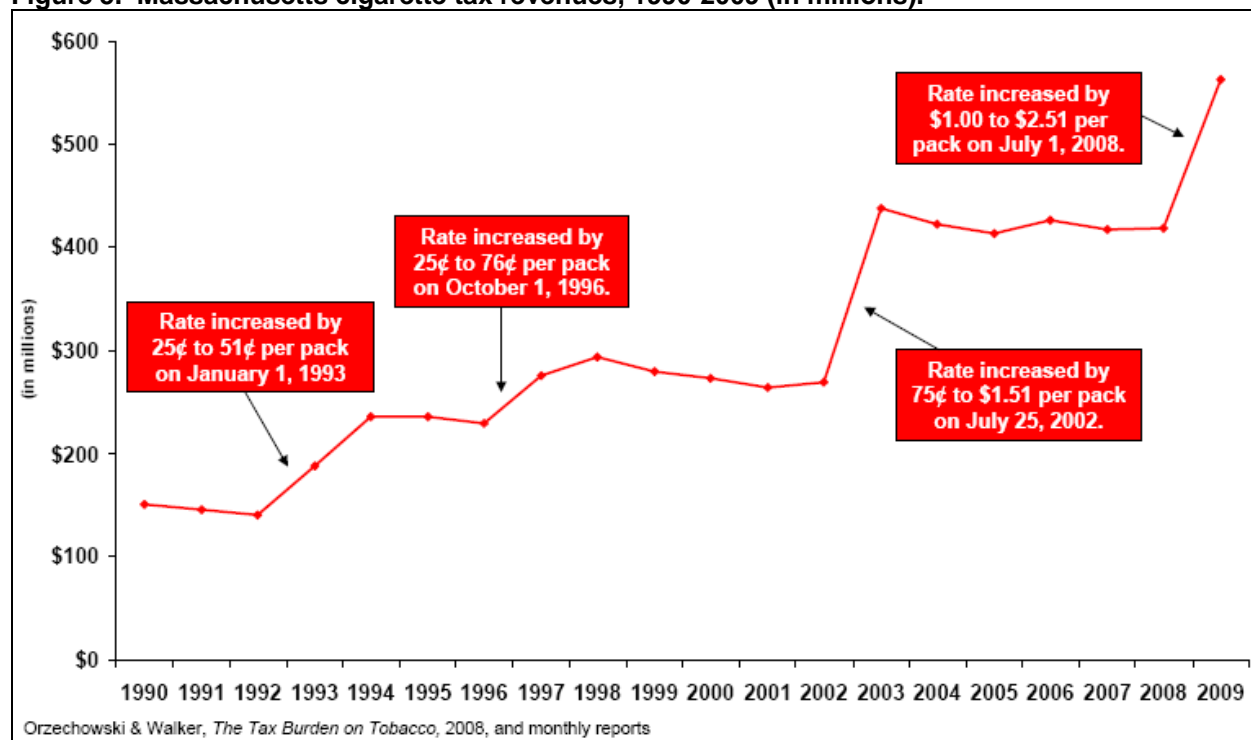
reap revenue benefits by doing so again. Figure 4 shows how Maryland has consistently produced new revenue by increasing its cigarette tax.

Figure 4. Maryland cigarette tax revenues, 1990-2009.



The higher revenue levels enjoyed by those states that significantly increase their cigarette tax rates persist over time (while the cost savings from the related smoking declines grow rapidly). Revenues from tobacco taxes will decline over time, and that is a good thing for public health, but these declines will be gradual; they are predictable, so states can easily adjust for them. State tobacco tax revenues are more predictable and less volatile than many other state revenue sources, such as state income tax or corporate tax revenues, which can vary considerably each year because of nationwide recessions or state economic slowdowns. In sharp contrast, large drops in tobacco tax revenue from one year to the next are quite rare because of the addictive power of cigarettes (see Appendix D). The data in Figure 5 from Massachusetts show how state cigarette tax revenues remain at the new, higher level following a significant cigarette tax increase and do not decline sharply. In the six years after Massachusetts increased its tax by 75 cents in 2002, revenue fluctuated by no more than 3.5 percent in any given year and by only 4.3 percent over the entire six years.

Figure 5. Massachusetts cigarette tax revenues, 1990-2009 (in millions).



The last section of this report presents revenue estimates for a \$1 per pack cigarette tax increase in each state. If every state increased its cigarette tax by this amount, it would produce \$9.1 billion in new revenue for the states, helping avoid or mitigate cuts to essential state programs.

States will realize even more revenue if they also increase the tax on other tobacco products (OTPs), such as smokeless tobacco (e.g., dip, chew) and cigars, to parallel the tax rate on cigarettes. This will also deter children from experimenting with these products and smokers from merely switching from one harmful product to another (see Appendix F). States can also take other steps to maximize tobacco tax revenue, such as implementing high-tech tax stamps to reduce counterfeiting and smuggling and strengthening product definitions.

State budgets will also benefit from the reductions in smoking and smoking-caused health care costs caused by higher tobacco taxes. Each year in the U.S, smoking-caused disease results in \$96 billion in health care costs, much of which is paid by taxpayers through higher insurance premiums and government-funded health programs such as Medicaid. Indeed, higher Medicaid costs are one of the reasons states are facing budget difficulties. By reducing smoking, tobacco tax increases will reduce smoking-related health care costs.

Nationally, if each state increased its tobacco tax by \$1 per pack, it would reduce immediate and long-term health care costs by more than \$52 billion. In the first five years, health care costs would decline just from fewer smoking-caused heart attacks and strokes and fewer smoking-affected births. Overall health care savings would grow over the lifetimes of the smokers who quit or kids who never start smoking because of the \$1 increase. The health care savings for each state are outlined in the last section of this report.

A factsheet on how tobacco taxes always increase revenue can be found in Appendix C.

WIN #2: A Health Win

Not only will tobacco tax increases produce significant new revenue for states, they will prevent kids from starting to smoke, encourage smokers to quit and save lives. Each year, more than 400,000 Americans die from tobacco use – the leading preventable cause of death in the country. Every day, about 3,500 kids try their first cigarette, and another 1,000 kids become regular smokers.

Significant tobacco tax increases – particularly for cigarettes – are the fastest way to sharply reduce tobacco use and tobacco-caused disease, death and costs. Reports by the National Academy of Sciences' Institute of Medicine and the President's Cancer Panel have strongly recommended that states increase their tobacco tax rates to effectively reduce tobacco's toll on the nation's health.³ This is because the science could not be more clear. Based on more than 100 studies and experience in almost every state, virtually every expert in this country and elsewhere has concluded that raising tobacco taxes is one of the most effective measures we can take to reduce smoking, especially among children.

While we may not intuitively believe that \$1 per pack is enough to make a difference to today's kids, who seem to have more money than previous generations, the data simply do not lie. When tobacco prices go up, tobacco use goes down, especially among kids. No less than the U.S. Surgeon General, the National Cancer Institute, the U.S. Centers for Disease Control and Prevention (CDC), the World Bank and Wall Street tobacco analysts agree – raising tobacco prices reduces tobacco use. Even the tobacco companies recognize that tax increases reduce smoking. That is why they have spent hundreds of millions of dollars over the years opposing tobacco tax increases.

Clearly, cigarette tax increases are one of the most effective ways to sharply reduce smoking, especially among youth, pregnant women, and low-income smokers. Studies have shown that for every 10 percent increase in the price of cigarettes, youth smoking declines by approximately 6.5 percent, smoking among pregnant women falls at a similar rate, and overall consumption declines by three to five percent.⁴ Similarly, increasing the tax rate on smokeless tobacco reduces its use, particularly among young males, and increasing cigar prices through tax increases reduces adult and youth cigar smoking.⁵

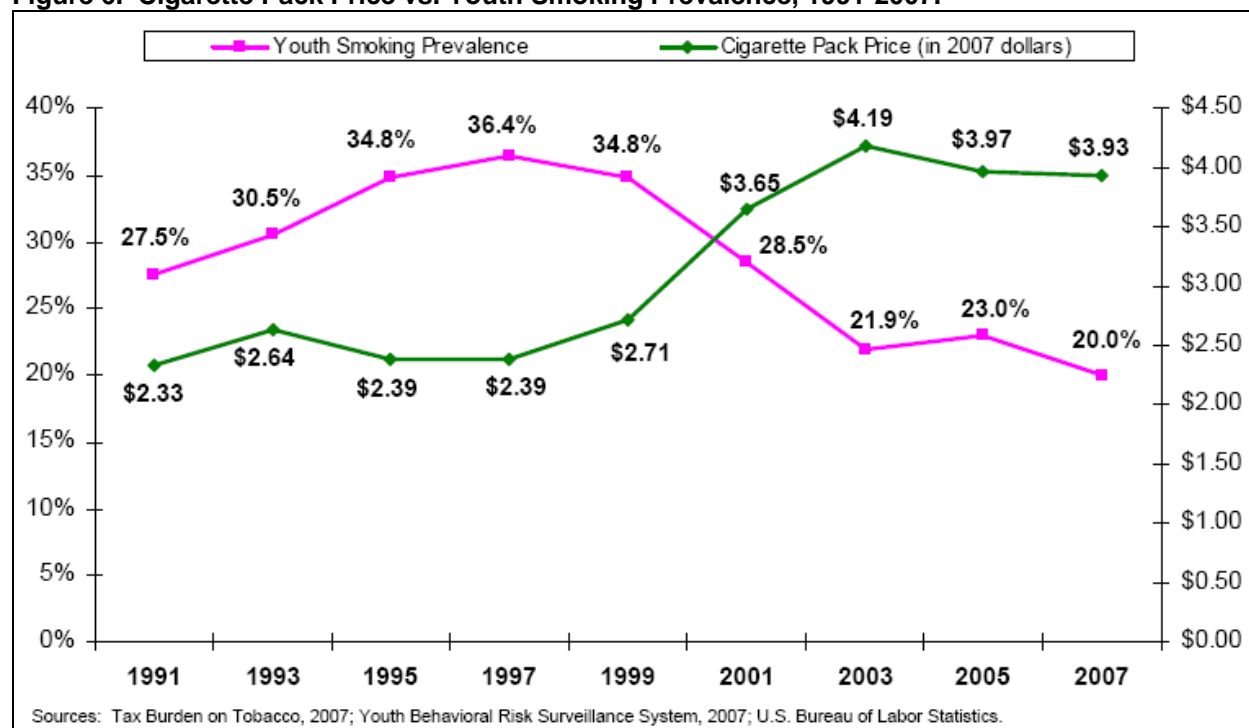
³ Institute of Medicine (IOM), *Ending the Tobacco Problem: A Blueprint for the Nation*, Washington, DC: National Academies Press, May 2007, http://www.nap.edu/catalog.php?record_id=11795#toc; President's Cancer Panel, *Promoting Healthy Lifestyles: Policy, Program, and Personal Recommendations for Reducing Cancer Risk*, August 2007, <http://deainfo.nci.nih.gov/advisory/pcp/pcp07rpt/pcp07rpt.pdf>.

⁴ See, e.g., Chaloupka, F., "Macro-Social Influences: The Effects of Prices and Tobacco Control Policies on the Demand for Tobacco Products," *Nicotine and Tobacco Research* 1(Suppl 1):S105-109, 1999, and other price studies at <http://tigger.uic.edu/~fjc/>; Tauras, J., "Public Policy and Smoking Cessation Among Young Adults in the United States," *Health Policy* 68:321-32, 2004; Tauras, J., et al., "Effects of Price and Access Laws on Teenage Smoking Initiation: A National Longitudinal Analysis," Bridging the Gap Research, ImpacTeen, April 24, 2001, and other price studies at <http://www.impacTeen.org/researchproducts.htm>. Chaloupka, F & Pacula, R, *An Examination of Gender and Race Differences in Youth Smoking Responsiveness to Price and Tobacco Control Policies*, National Bureau of Economic Research, Working Paper 6541, April 1998, <http://tigger.uic.edu/~fjc>. Emery, S, et al., "Does Cigarette Price Influence Adolescent Experimentation?" *Journal of Health Economics* 20:261-270, 2001. Evans, W & Huang, L, *Cigarette Taxes and Teen Smoking: New Evidence from Panels of Repeated Cross-Sections*, working paper, April 15, 1998, www.bsos.umd.edu/econ/evans/wrkpap.htm. Harris, J & Chan, S, "The Continuum-of-Addiction: Cigarette Smoking in Relation to Price Among Americans Aged 15-29," *Health Economics Letters* 2(2):3-12, February 1998, www.mit.edu/people/jeffrey.

⁵ Chaloupka, F, Tauras, J & Grossman, M, "Public Policy and Youth Smokeless Tobacco Use," *Southern Economic Journal* 64(2):503-16, October 1997. Ringel, JS, Wasserman, J, & Andreyeva, T, "Effects of Public Policy on Adolescents' Cigar Use: Evidence From the National Youth Tobacco Survey," *American Journal of Public Health* 95:995-998, 2005.

Figure 6 shows just how strongly youth smoking prevalence is related to cigarette pack prices. As prices climbed in the late 1990s and early 2000s, youth smoking rates declined, but as the price leveled off and even decreased between 2003 and 2005 (along with funding for tobacco prevention programs in many states), progress in reducing youth smoking stalled, and youth smoking rates even increased in 2005.

Figure 6. Cigarette Pack Price vs. Youth Smoking Prevalence, 1991-2007.



Experience also shows that cigarette tax increases prompt many smokers to quit or cut back. For example, Wisconsin's telephone quit line received a record-breaking 20,000 calls in the first two months after the state's \$1 per pack cigarette tax increase in January 2008 (it typically received 9,000 calls per year). Likewise, at the national level, after the unprecedented 61.66-percent increase in the federal cigarette tax rate in April 2009, calls to the national quitline number (1-800-QUITNOW) in the first five months of the year were more than double that of the year before (553,508 in 2009 vs. 276,606 in 2008).⁶

The public health win from higher tobacco taxes will be even larger if some of the new revenue is allocated to comprehensive tobacco prevention and cessation programs in the states. The evidence is very clear that when these programs are funded adequately and implemented according to guidelines from the CDC, smoking declines among both kids and adults.⁷ These programs include community-based efforts to reach kids and adult smokers, media campaigns to educate kids about the dangers of smoking and to encourage smokers to quit, and assistance in the form of medication (e.g., gum, patch, prescription drugs) and counseling for smokers who want to quit.

⁶ National Cancer Institute 1-800-QUITNOW monthly reports.

⁷ Farrelly, MC, et al., "The Impact of Tobacco Control Programs on Adult Smoking," *American Journal of Public Health* 98:304-309, February 2008. Tauras, JA, et al., "State Tobacco Control Spending and Youth Smoking," *American Journal of Public Health* 95:338-344, February 2005. Farrelly, MC, et al., "The Impact of Tobacco Control Program Expenditures on Aggregate Cigarette Sales: 1981-2000," *Journal of Health Economics* 22:843-859, 2003.

Unfortunately, states are spending only 2.3 percent of the revenues generated from both their tobacco tax revenues and tobacco settlement payments on tobacco prevention and cessation programs, and they cut these programs by \$100 million in the past year.⁸ Cuts to these programs, along with stagnating cigarette prices, are among the reasons progress in reducing smoking among kids and adults has stalled in recent years. Increasing tobacco taxes and allocating some of the revenue to prevention and cessation will address both of these problems.

The combination of increased tobacco prices with effective tobacco prevention and cessation programs is especially effective in reducing smoking – saving lives and health care dollars. In Washington State, for example, tobacco tax increases went into effect in January 2002 and July 2005. The combination of these increases with robust funding for the state’s tobacco prevention and cessation program has led to a 50 percent decline in youth smoking and a 30 percent decline in adult smoking. The Washington State Department of Health estimates that these smoking declines translate into 65,000 fewer youth smokers, 295,000 fewer adult smokers and \$2.8 billion in future health care cost savings. Other states with high cigarette taxes and well-funded prevention and cessation programs have reported similar results.

A factsheet on how tobacco taxes reduce smoking can be found in Appendix E.

WIN #3: A Political Win

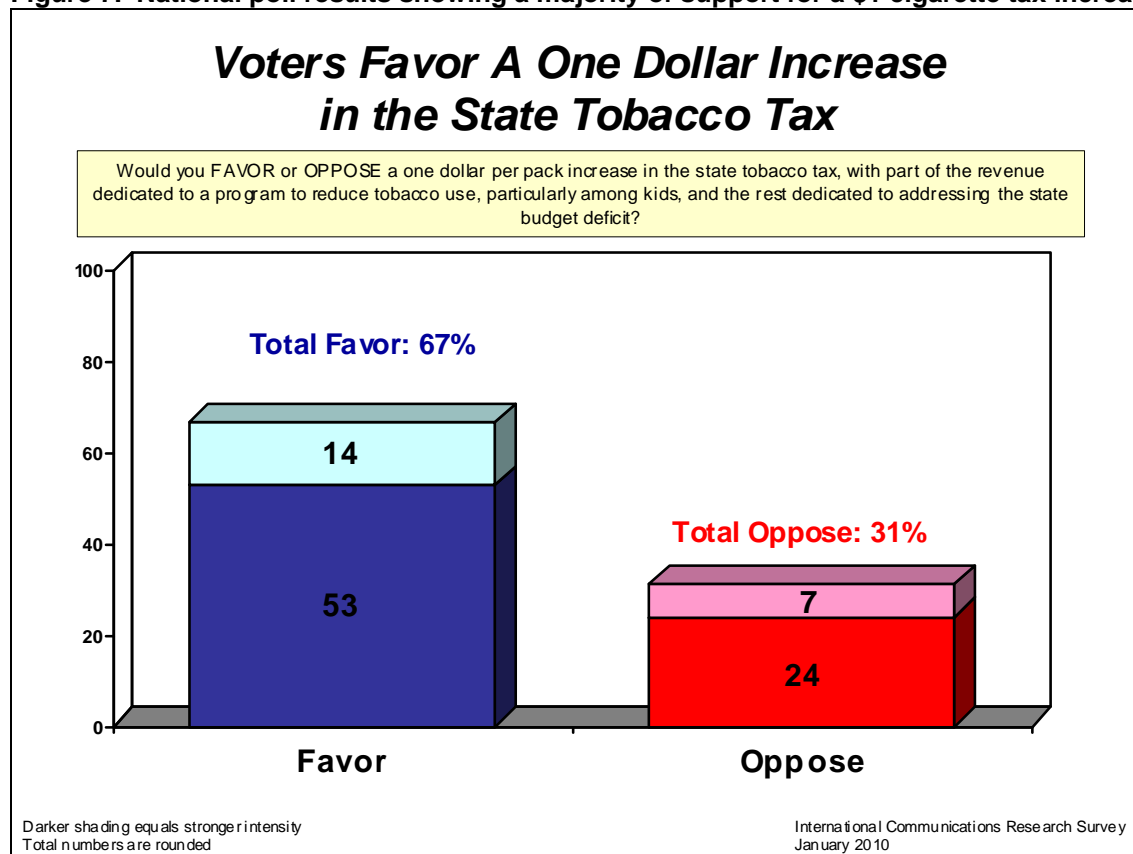
Policy makers who support tobacco tax increases will not only improve the fiscal and physical health of their states; they will also improve their political standing, as large majorities of voters of both major parties and virtually all demographic groups support increasing tobacco taxes and candidates who have voted to do so. This overwhelming public support has been demonstrated in state-level polls around the country for years (see Appendix I) and is also evident in a new national poll released in conjunction with this report. Not only do voters support tobacco tax increases, tobacco tax increases are preferred by far to other options for balancing budgets, such as other tax increases or cutting programs such as health, education and transportation.

A Majority of Voters Favor a \$1 Per Pack Increase In the State Tobacco Tax

A new national poll of American voters finds that, by more than a two-to-one margin (67 percent to 31 percent), voters favor a \$1 per pack increase in the state tobacco tax, with part of the revenue dedicated to a program to reduce tobacco use and the rest dedicated to addressing the state budget deficit. More than half of voters (53 percent) “strongly” support the tobacco tax increase (see Figure 7).

⁸ For more details, see *A Decade of Broken Promises: The 1998 State Tobacco Settlement Eleven Years Later*, December 2009, a special report issued by the Campaign for Tobacco-Free Kids, American Heart Association, American Lung Association and American Cancer Society Cancer Action Network, <http://www.tobaccofreekids.org/reports/settlements>.

Figure 7. National poll results showing a majority of support for a \$1 cigarette tax increase.



Support for increasing the tobacco tax comes from a broad-based coalition of voters. In fact, support is evident among virtually every political and demographic subgroup of voters in the country, as large majorities of men and women, young and old, voters of all income levels and in every region of the country support the tax.

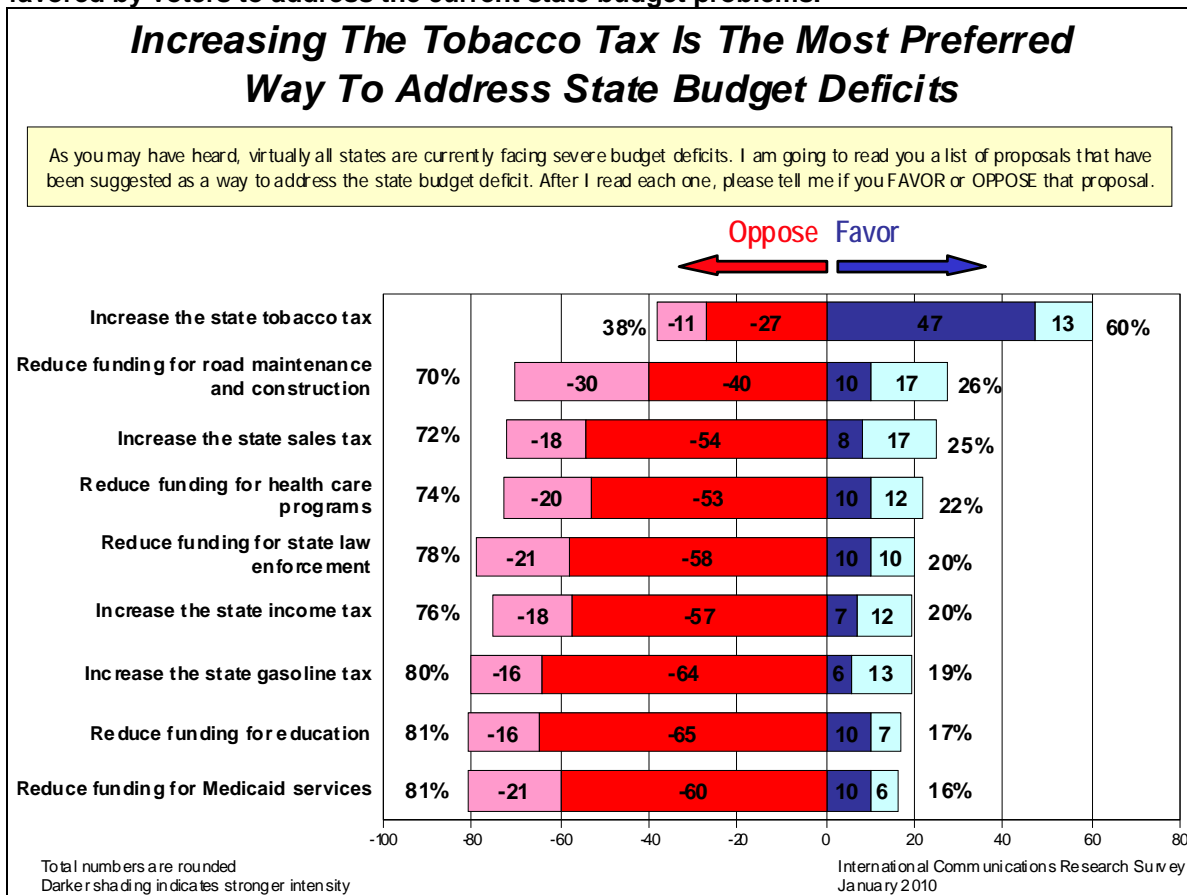
Increasing the state tobacco tax by \$1 also enjoys support across party lines. A majority of Democrats (70 percent), Independents (64 percent) and Republicans (68 percent) favor the increase.

Policy makers can reap the revenue and health benefits of a \$1 increase in the tobacco tax with full support from the voters. In fact, support for a \$1 per pack increase (67 percent) is the same as support for a 50-cent increase (67 percent). Opposition to increasing the tobacco tax is low and identical at the two levels, while the revenue and health benefits increase dramatically with the higher tax.

Increasing the Tobacco Tax is the Preferred Way to Address State Budget Deficits

It is clear that voters view tobacco taxes differently than other taxes, such as sales and income taxes, especially in the context of helping address state budget deficits. In fact, among a number of different options, an increase in the tobacco tax is the **only** proposal favored by voters for addressing the current state budget problems.

Figure 8. National poll results showing that a tobacco tax increase is the *only* proposal favored by voters to address the current state budget problems.



A strong majority (60 percent) of voters favor raising the tobacco tax as a way to address the state budget deficit, while only 38 percent oppose raising this tax. No other option tested received majority support. In fact, voters overwhelmingly oppose other tax increases or spending cuts that may be necessary to address the budget deficit.

Voters soundly reject increases in the state sales tax (72 percent oppose), income tax (76 percent oppose) and gasoline tax (80 percent oppose). Reducing funding for specific programs is also unpopular, including reducing funding for education (81 percent oppose), Medicaid (81 percent oppose), law enforcement (78 percent oppose), health care (74 percent oppose), and road maintenance and construction (70 percent oppose).

Voters Support Candidates Who Back Tobacco Tax Increases

The poll also shows that voters will express their support for a tobacco tax increase at the voting booth. By a margin of 59 percent to 35 percent, voters prefer a candidate for state office who supports the tobacco tax over one who opposes it. Again, this strong preference crosses party lines as a majority of Democrats, Republicans and Independents choose the candidate who supports increasing the tobacco tax over the candidate who opposes it.

The national survey of 847 registered voters was conducted January 20-24, 2010, by International Communications Research and has a margin of error of plus or minus 3.4 percentage points. Detailed poll results can be found in Appendix H.

National and State Benefits of Increasing the Cigarette Tax by \$1 per Pack

This section of the report details for each state the revenue and public health benefits of increasing its cigarette tax by \$1 per pack. Additional benefits would accrue from increasing the tax on other tobacco products, such as smokeless tobacco and cigars, to parallel the new cigarette tax rate.

The benefits to any particular state depend on how many packs are currently sold in the state, the current average price, and other factors, but in **every state**, the revenue and public health benefits are enormous.

A map and table of current state cigarette tax rates can be found in Appendix B.

National

TOTAL BENEFITS IF EVERY STATE AND WASHINGTON, DC, INCREASED ITS CIGARETTE TAX BY \$1 PER PACK

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$9.1 billion
<i>Kids kept from becoming addicted smokers</i>	2,337,300
<i>Current adult smokers who would quit</i>	1,256,600
<i>Lives saved from premature smoking-caused death</i>	1,078,500
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$1.1 billion
<i>Long-term health savings from adult & youth smoking declines**</i>	\$52.8 billion
<i>Percent decrease in youth smoking</i>	13.1%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

Additional economic and public health benefits would be generated from equalizing the tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in the USA</u>	
Adults who smoke	20.6%
High school students who smoke	20%
Kids (under 18) who try cigarettes for the first time each year	1,421,000
Deaths caused by smoking each year	400,000
Annual health care costs directly caused by smoking	\$96.8 billion
Annual smoking-caused Medicaid spending	\$30.9 billion
Smoking-caused costs in the USA	\$10.47 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$619 per household

Alabama

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: 42.5¢ per pack

Rank among all states: 46th

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$205.0 million
<i>Kids kept from becoming addicted smokers</i>	73,000
<i>Current adult smokers who would quit</i>	27,000
<i>Lives saved from premature smoking-caused death</i>	30,500
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$25.2 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$1.5 billion
<i>Percent decrease in youth smoking</i>	15.3%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

Alabama would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in Alabama</u>	
Adults who smoke	22.2%
High school students who smoke	26.8%
Kids (under 18) who try cigarettes for the first time each year	37,900
Deaths caused by smoking each year	7,500
Annual health care costs directly caused by smoking	\$1.49 billion
Annual smoking-caused state Medicaid spending	\$238.0 million
Smoking-caused costs in Alabama	\$8.97 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$544 per household

Alaska

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: \$2.00 per pack

Rank among all states: 11th

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$14.2 million
<i>Kids kept from becoming addicted smokers</i>	4,800
<i>Current adult smokers who would quit</i>	2,300
<i>Lives saved from premature smoking-caused death</i>	2,100
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$2.9 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$105.9 million
<i>Percent decrease in youth smoking</i>	9.4%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

Alaska would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in Alaska</u>	
Adults who smoke	21.7%
High school students who smoke	17.8%
Kids (under 18) who try cigarettes for the first time each year	3,900
Deaths caused by smoking each year	490
Annual health care costs directly caused by smoking	\$169 million
Annual smoking-caused state Medicaid spending	\$77.0 million
Smoking-caused costs in Alaska	\$7.89 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$656 per household

Arizona

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: \$2.00 per pack

Rank among all states: 11th

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$67.5 million
<i>Kids kept from becoming addicted smokers</i>	33,600
<i>Current adult smokers who would quit</i>	19,200
<i>Lives saved from premature smoking-caused death</i>	15,800
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$13.6 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$770.4 million
<i>Percent decrease in youth smoking</i>	11.2%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

Arizona would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in Arizona</u>	
Adults who smoke	15.9%
High school students who smoke	22.2%
Kids (under 18) who try cigarettes for the first time each year	22,900
Deaths caused by smoking each year	6,800
Annual health care costs directly caused by smoking	\$1.3 billion
Annual smoking-caused state Medicaid spending	\$316.0 million
Smoking-caused costs in Arizona	\$11.70 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$541 per household

Arkansas

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: \$1.15 per pack

Rank among all states: 27th

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$100.0 million
<i>Kids kept from becoming addicted smokers</i>	23,100
<i>Current adult smokers who would quit</i>	14,100
<i>Lives saved from premature smoking-caused death</i>	11,100
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$15.9 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$538.2 million
<i>Percent decrease in youth smoking</i>	13.1%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

Arkansas would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in Arkansas</u>	
Adults who smoke	22.4%
High school students who smoke	20.7%
Kids (under 18) who try cigarettes for the first time each year	13,900
Deaths caused by smoking each year	4,900
Annual health care costs directly caused by smoking	\$812 million
Annual smoking-caused state Medicaid spending	\$242.0 million
Smoking-caused costs in Arkansas	\$9.65 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$558 per household

California

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: 87¢ per pack

Rank among all states: 32nd

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$575.2 million
<i>Kids kept from becoming addicted smokers</i>	228,700
<i>Current adult smokers who would quit</i>	118,300
<i>Lives saved from premature smoking-caused death</i>	104,500
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$80.8 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$5.1 billion
<i>Percent decrease in youth smoking</i>	13.7%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

California would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in California</u>	
Adults who smoke	14.0%
High school students who smoke	15.4%
Kids (under 18) who try cigarettes for the first time each year	130,200
Deaths caused by smoking each year	36,600
Annual health care costs directly caused by smoking	\$9.14 billion
Annual smoking-caused state Medicaid spending	\$2.9 billion
Smoking-caused costs in California	\$15.10 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$621 per household

Colorado

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: 84¢ per pack

Rank among all states: 33rd

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$113.9 million
<i>Kids kept from becoming addicted smokers</i>	35,900
<i>Current adult smokers who would quit</i>	20,600
<i>Lives saved from premature smoking-caused death</i>	16,900
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$16.6 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$824.0 million
<i>Percent decrease in youth smoking</i>	13.9%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

Colorado would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in Colorado</u>	
Adults who smoke	17.6%
High school students who smoke	14.6%
Kids (under 18) who try cigarettes for the first time each year	20,100
Deaths caused by smoking each year	4,300
Annual health care costs directly caused by smoking	\$1.31 billion
Annual smoking-caused state Medicaid spending	\$319.0 million
Smoking-caused costs in Colorado	\$8.35 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$582 per household

Connecticut

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: \$3.00 per pack

Rank among all states: 2nd

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$33.1 million
<i>Kids kept from becoming addicted smokers</i>	20,400
<i>Current adult smokers who would quit</i>	9,100
<i>Lives saved from premature smoking-caused death</i>	8,900
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$6.3 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$443.5 million
<i>Percent decrease in youth smoking</i>	9.4%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

Connecticut would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in Connecticut</u>	
Adults who smoke	16.0%
High school students who smoke	21.1%
Kids (under 18) who try cigarettes for the first time each year	16,500
Deaths caused by smoking each year	4,700
Annual health care costs directly caused by smoking	\$1.63 billion
Annual smoking-caused state Medicaid spending	\$430.0 million
Smoking-caused costs in Connecticut	\$14.30 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$675 per household

Delaware

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: \$1.60 per pack

Rank among all states: 18th

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$30.3 million
<i>Kids kept from becoming addicted smokers</i>	6,400
<i>Current adult smokers who would quit</i>	3,300
<i>Lives saved from premature smoking-caused death</i>	2,900
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$3.1 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$143.4 million
<i>Percent decrease in youth smoking</i>	12.7%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

Delaware would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in Delaware</u>	
Adults who smoke	17.8%
High school students who smoke	20.2%
Kids (under 18) who try cigarettes for the first time each year	3,900
Deaths caused by smoking each year	1,100
Annual health care costs directly caused by smoking	\$284 million
Annual smoking-caused state Medicaid spending	\$79.0 million
Smoking-caused costs in Delaware	\$4.08 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$622 per household

District of Columbia

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: \$2.50 per pack

Rank among all states: 8th

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$6.8 million
<i>Kids kept from becoming addicted smokers</i>	2,500
<i>Current adult smokers who would quit</i>	1,900
<i>Lives saved from premature smoking-caused death</i>	1,300
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$1.0 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$61.8 million
<i>Percent decrease in youth smoking</i>	10.9%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

District of Columbia would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in District of Columbia</u>	
Adults who smoke	16.4%
High school students who smoke	10.6%
Kids (under 18) who try cigarettes for the first time each year	1,700
Deaths caused by smoking each year	720
Annual health care costs directly caused by smoking	\$243 million
Annual smoking-caused state Medicaid spending	\$78.0 million
Smoking-caused costs in District of Columbia	\$22.04 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$600 per household

Florida

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: \$1.339 per pack

Rank among all states: 24th

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$480.1 million
<i>Kids kept from becoming addicted smokers</i>	129,500
<i>Current adult smokers who would quit</i>	71,600
<i>Lives saved from premature smoking-caused death</i>	60,400
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$52.8 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$2.9 billion
<i>Percent decrease in youth smoking</i>	12.8%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

Florida would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in Florida</u>	
Adults who smoke	17.5%
High school students who smoke	14.3%
Kids (under 18) who try cigarettes for the first time each year	80,600
Deaths caused by smoking each year	28,600
Annual health care costs directly caused by smoking	\$6.32 billion
Annual smoking-caused state Medicaid spending	\$1.2 billion
Smoking-caused costs in Florida	\$10.14 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$583 per household

Georgia

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: 37¢ per pack

Rank among all states: 47th

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$354.5 million
<i>Kids kept from becoming addicted smokers</i>	79,600
<i>Current adult smokers who would quit</i>	49,100
<i>Lives saved from premature smoking-caused death</i>	38,400
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$41.1 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$1.8 billion
<i>Percent decrease in youth smoking</i>	15.7%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

Georgia would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in Georgia</u>	
Adults who smoke	19.5%
High school students who smoke	18.6%
Kids (under 18) who try cigarettes for the first time each year	40,300
Deaths caused by smoking each year	10,500
Annual health care costs directly caused by smoking	\$2.25 billion
Annual smoking-caused state Medicaid spending	\$537.0 million
Smoking-caused costs in Georgia	\$9.02 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$550 per household

Hawaii

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: \$2.60 per pack

Rank among all states: 5th

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$18.3 million
<i>Kids kept from becoming addicted smokers</i>	7,600
<i>Current adult smokers who would quit</i>	3,300
<i>Lives saved from premature smoking-caused death</i>	3,300
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$2.3 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$164.4 million
<i>Percent decrease in youth smoking</i>	9.6%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

Hawaii would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in Hawaii</u>	
Adults who smoke	15.4%
High school students who smoke	9.7%
Kids (under 18) who try cigarettes for the first time each year	5,900
Deaths caused by smoking each year	1,100
Annual health care costs directly caused by smoking	\$336 million
Annual smoking-caused state Medicaid spending	\$117.0 million
Smoking-caused costs in Hawaii	\$10.81 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$622 per household

Idaho

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: 57¢ per pack

Rank among all states: 42nd

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$46.4 million
<i>Kids kept from becoming addicted smokers</i>	9,800
<i>Current adult smokers who would quit</i>	6,200
<i>Lives saved from premature smoking-caused death</i>	4,700
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$5.8 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$230.4 million
<i>Percent decrease in youth smoking</i>	14.9%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

Idaho would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in Idaho</u>	
Adults who smoke	16.9%
High school students who smoke	20.0%
Kids (under 18) who try cigarettes for the first time each year	5,200
Deaths caused by smoking each year	1,500
Annual health care costs directly caused by smoking	\$319 million
Annual smoking-caused state Medicaid spending	\$83.0 million
Smoking-caused costs in Idaho	\$7.85 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$539 per household

Illinois

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: 98¢ per pack

Rank among all states: 30th

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$297.6 million
<i>Kids kept from becoming addicted smokers</i>	110,100
<i>Current adult smokers who would quit</i>	57,100
<i>Lives saved from premature smoking-caused death</i>	50,300
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$49.8 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$2.4 billion
<i>Percent decrease in youth smoking</i>	12.2%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

Illinois would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in Illinois</u>	
Adults who smoke	21.3%
High school students who smoke	19.9%
Kids (under 18) who try cigarettes for the first time each year	69,300
Deaths caused by smoking each year	16,600
Annual health care costs directly caused by smoking	\$4.10 billion
Annual smoking-caused state Medicaid spending	\$1.5 billion
Smoking-caused costs in Illinois	\$11.06 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$667 per household

Indiana

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: 99.5¢ per pack

Rank among all states: 29th

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$230.1 million
<i>Kids kept from becoming addicted smokers</i>	63,600
<i>Current adult smokers who would quit</i>	40,100
<i>Lives saved from premature smoking-caused death</i>	30,900
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$47.3 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$1.4 billion
<i>Percent decrease in youth smoking</i>	14.2%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

Indiana would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in Indiana</u>	
Adults who smoke	26.1%
High school students who smoke	18.3%
Kids (under 18) who try cigarettes for the first time each year	34,900
Deaths caused by smoking each year	9,700
Annual health care costs directly caused by smoking	\$2.08 billion
Annual smoking-caused state Medicaid spending	\$487.0 million
Smoking-caused costs in Indiana	\$7.56 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$569 per household

Iowa

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: \$1.36 per pack

Rank among all states: 23rd

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$65.3 million
<i>Kids kept from becoming addicted smokers</i>	24,400
<i>Current adult smokers who would quit</i>	12,700
<i>Lives saved from premature smoking-caused death</i>	11,100
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$13.3 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$547.7 million
<i>Percent decrease in youth smoking</i>	13.2%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

Iowa would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in Iowa</u>	
Adults who smoke	18.8%
High school students who smoke	18.9%
Kids (under 18) who try cigarettes for the first time each year	14,400
Deaths caused by smoking each year	4,400
Annual health care costs directly caused by smoking	\$1.01 billion
Annual smoking-caused state Medicaid spending	\$301.0 million
Smoking-caused costs in Iowa	\$8.04 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$592 per household

Kansas

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: 79¢ per pack

Rank among all states: 35th

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$74.7 million
<i>Kids kept from becoming addicted smokers</i>	21,600
<i>Current adult smokers who would quit</i>	12,000
<i>Lives saved from premature smoking-caused death</i>	10,000
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$11.6 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$492.0 million
<i>Percent decrease in youth smoking</i>	14.3%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

Kansas would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in Kansas</u>	
Adults who smoke	17.9%
High school students who smoke	20.6%
Kids (under 18) who try cigarettes for the first time each year	11,800
Deaths caused by smoking each year	3,800
Annual health care costs directly caused by smoking	\$927 million
Annual smoking-caused state Medicaid spending	\$196.0 million
Smoking-caused costs in Kansas	\$11.66 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$572 per household

Kentucky

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: 60¢ per pack

Rank among all states: 40th

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$214.0 million
<i>Kids kept from becoming addicted smokers</i>	48,300
<i>Current adult smokers who would quit</i>	31,100
<i>Lives saved from premature smoking-caused death</i>	23,600
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$40.1 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$1.1 billion
<i>Percent decrease in youth smoking</i>	17.0%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

Kentucky would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in Kentucky</u>	
Adults who smoke	25.3%
High school students who smoke	26.0%
Kids (under 18) who try cigarettes for the first time each year	23,300
Deaths caused by smoking each year	7,800
Annual health care costs directly caused by smoking	\$1.50 billion
Annual smoking-caused state Medicaid spending	\$487.0 million
Smoking-caused costs in Kentucky	\$5.07 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$587 per household

Louisiana

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: 36¢ per pack

Rank among all states: 48th

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$222.4 million
<i>Kids kept from becoming addicted smokers</i>	45,600
<i>Current adult smokers who would quit</i>	23,100
<i>Lives saved from premature smoking-caused death</i>	20,700
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$20.3 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$1.0 billion
<i>Percent decrease in youth smoking</i>	15.3%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

Louisiana would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in Louisiana</u>	
Adults who smoke	20.5%
High school students who smoke	18.8%
Kids (under 18) who try cigarettes for the first time each year	23,700
Deaths caused by smoking each year	6,500
Annual health care costs directly caused by smoking	\$1.47 billion
Annual smoking-caused state Medicaid spending	\$663.0 million
Smoking-caused costs in Louisiana	\$8.82 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$636 per household

Maine

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: \$2.00 per pack

Rank among all states: 11th

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$26.2 million
<i>Kids kept from becoming addicted smokers</i>	8,500
<i>Current adult smokers who would quit</i>	4,600
<i>Lives saved from premature smoking-caused death</i>	3,900
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$4.5 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$192.5 million
<i>Percent decrease in youth smoking</i>	11.0%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

Maine would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in Maine</u>	
Adults who smoke	18.2%
High school students who smoke	14.0%
Kids (under 18) who try cigarettes for the first time each year	5,900
Deaths caused by smoking each year	2,200
Annual health care costs directly caused by smoking	\$602 million
Annual smoking-caused state Medicaid spending	\$216.0 million
Smoking-caused costs in Maine	\$11.60 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$650 per household

Maryland

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: \$2.00 per pack

Rank among all states: 11th

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$73.0 million
<i>Kids kept from becoming addicted smokers</i>	34,400
<i>Current adult smokers who would quit</i>	16,000
<i>Lives saved from premature smoking-caused death</i>	15,200
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$12.3 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$754.0 million
<i>Percent decrease in youth smoking</i>	11.1%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

Maryland would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in Maryland</u>	
Adults who smoke	14.9%
High school students who smoke	16.8%
Kids (under 18) who try cigarettes for the first time each year	23,600
Deaths caused by smoking each year	6,800
Annual health care costs directly caused by smoking	\$1.96 billion
Annual smoking-caused state Medicaid spending	\$476.0 million
Smoking-caused costs in Maryland	\$13.91 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$619 per household

Massachusetts

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: \$2.51 per pack

Rank among all states: 7th

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$75.7 million
<i>Kids kept from becoming addicted smokers</i>	33,400
<i>Current adult smokers who would quit</i>	18,200
<i>Lives saved from premature smoking-caused death</i>	15,500
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$13.0 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$757.4 million
<i>Percent decrease in youth smoking</i>	9.8%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

Massachusetts would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in Massachusetts</u>	
Adults who smoke	16.1%
High school students who smoke	17.7%
Kids (under 18) who try cigarettes for the first time each year	25,600
Deaths caused by smoking each year	9,000
Annual health care costs directly caused by smoking	\$3.54 billion
Annual smoking-caused state Medicaid spending	\$1.0 billion
Smoking-caused costs in Massachusetts	\$19.49 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$732 per household

Michigan

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: \$2.00 per pack

Rank among all states: 11th

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$181.9 million
<i>Kids kept from becoming addicted smokers</i>	96,400
<i>Current adult smokers who would quit</i>	39,700
<i>Lives saved from premature smoking-caused death</i>	41,300
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$39.5 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$2.0 billion
<i>Percent decrease in youth smoking</i>	11.3%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

Michigan would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in Michigan</u>	
Adults who smoke	20.4%
High school students who smoke	18.0%
Kids (under 18) who try cigarettes for the first time each year	65,000
Deaths caused by smoking each year	14,500
Annual health care costs directly caused by smoking	\$3.40 billion
Annual smoking-caused state Medicaid spending	\$1.1 billion
Smoking-caused costs in Michigan	\$10.44 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$613 per household

Minnesota

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: \$1.56 per pack

Rank among all states: 20th

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$99.9 million
<i>Kids kept from becoming addicted smokers</i>	41,000
<i>Current adult smokers who would quit</i>	19,400
<i>Lives saved from premature smoking-caused death</i>	18,200
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$16.9 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$901.8 million
<i>Percent decrease in youth smoking</i>	12.3%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

Minnesota would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in Minnesota</u>	
Adults who smoke	17.6%
High school students who smoke	19.1%
Kids (under 18) who try cigarettes for the first time each year	25,700
Deaths caused by smoking each year	5,500
Annual health care costs directly caused by smoking	\$2.06 billion
Annual smoking-caused state Medicaid spending	\$465.0 million
Smoking-caused costs in Minnesota	\$8.85 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$618 per household

Mississippi

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: 68¢ per pack

Rank among all states: 37th

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$117.9 million
<i>Kids kept from becoming addicted smokers</i>	27,300
<i>Current adult smokers who would quit</i>	15,900
<i>Lives saved from premature smoking-caused death</i>	12,900
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$15.8 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$628.8 million
<i>Percent decrease in youth smoking</i>	14.5%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

Mississippi would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in Mississippi</u>	
Adults who smoke	22.7%
High school students who smoke	19.2%
Kids (under 18) who try cigarettes for the first time each year	15,100
Deaths caused by smoking each year	4,700
Annual health care costs directly caused by smoking	\$719 million
Annual smoking-caused state Medicaid spending	\$264.0 million
Smoking-caused costs in Mississippi	\$8.37 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$555 per household

Missouri

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: 17¢ per pack

Rank among all states: 50th

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$323.6 million
<i>Kids kept from becoming addicted smokers</i>	60,000
<i>Current adult smokers who would quit</i>	39,500
<i>Lives saved from premature smoking-caused death</i>	29,600
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$44.5 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$1.4 billion
<i>Percent decrease in youth smoking</i>	15.7%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

Missouri would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in Missouri</u>	
Adults who smoke	25.0%
High school students who smoke	23.8%
Kids (under 18) who try cigarettes for the first time each year	30,500
Deaths caused by smoking each year	9,500
Annual health care costs directly caused by smoking	\$2.13 billion
Annual smoking-caused state Medicaid spending	\$532.0 million
Smoking-caused costs in Missouri	\$7.61 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$585 per household

Montana

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: \$1.70 per pack

Rank among all states: 17th

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$18.6 million
<i>Kids kept from becoming addicted smokers</i>	6,200
<i>Current adult smokers who would quit</i>	3,700
<i>Lives saved from premature smoking-caused death</i>	2,900
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$4.1 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$143.7 million
<i>Percent decrease in youth smoking</i>	12.1%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

Montana would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in Montana</u>	
Adults who smoke	18.5%
High school students who smoke	20.0%
Kids (under 18) who try cigarettes for the first time each year	3,900
Deaths caused by smoking each year	1,400
Annual health care costs directly caused by smoking	\$277 million
Annual smoking-caused state Medicaid spending	\$67.0 million
Smoking-caused costs in Montana	\$9.17 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$557 per household

Nebraska

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: 64¢ per pack

Rank among all states: 38th

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$61.9 million
<i>Kids kept from becoming addicted smokers</i>	14,900
<i>Current adult smokers who would quit</i>	8,300
<i>Lives saved from premature smoking-caused death</i>	6,900
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$8.4 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$339.6 million
<i>Percent decrease in youth smoking</i>	15.2%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

Nebraska would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in Nebraska</u>	
Adults who smoke	18.4%
High school students who smoke	22.3%
Kids (under 18) who try cigarettes for the first time each year	7,700
Deaths caused by smoking each year	2,200
Annual health care costs directly caused by smoking	\$537 million
Annual smoking-caused state Medicaid spending	\$134.0 million
Smoking-caused costs in Nebraska	\$9.64 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$575 per household

Nevada

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: 80¢ per pack

Rank among all states: 34th

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$78.8 million
<i>Kids kept from becoming addicted smokers</i>	18,700
<i>Current adult smokers who would quit</i>	14,000
<i>Lives saved from premature smoking-caused death</i>	9,600
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$13.2 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$460.3 million
<i>Percent decrease in youth smoking</i>	14.4%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

Nevada would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in Nevada</u>	
Adults who smoke	22.3%
High school students who smoke	13.6%
Kids (under 18) who try cigarettes for the first time each year	10,200
Deaths caused by smoking each year	3,300
Annual health care costs directly caused by smoking	\$565 million
Annual smoking-caused state Medicaid spending	\$123.0 million
Smoking-caused costs in Nevada	\$8.92 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$559 per household

New Hampshire

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: \$1.78 per pack

Rank among all states: 16th

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$41.5 million
<i>Kids kept from becoming addicted smokers</i>	10,800
<i>Current adult smokers who would quit</i>	4,900
<i>Lives saved from premature smoking-caused death</i>	4,700
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$4.3 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$235.6 million
<i>Percent decrease in youth smoking</i>	12.6%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

New Hampshire would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in New Hampshire</u>	
Adults who smoke	17.0%
High school students who smoke	19.0%
Kids (under 18) who try cigarettes for the first time each year	6,700
Deaths caused by smoking each year	1,700
Annual health care costs directly caused by smoking	\$564 million
Annual smoking-caused state Medicaid spending	\$115.0 million
Smoking-caused costs in New Hampshire	\$5.07 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$624 per household

New Jersey

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: \$2.70 per pack

Rank among all states: 4th

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$80.0 million
<i>Kids kept from becoming addicted smokers</i>	48,000
<i>Current adult smokers who would quit</i>	21,800
<i>Lives saved from premature smoking-caused death</i>	21,100
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$17.0 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$1.0 billion
<i>Percent decrease in youth smoking</i>	9.8%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

New Jersey would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in New Jersey</u>	
Adults who smoke	14.8%
High school students who smoke	15.8%
Kids (under 18) who try cigarettes for the first time each year	36,800
Deaths caused by smoking each year	11,200
Annual health care costs directly caused by smoking	\$3.17 billion
Annual smoking-caused state Medicaid spending	\$967.0 million
Smoking-caused costs in New Jersey	\$15.63 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$660 per household

New Mexico

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: 91¢ per pack

Rank among all states: 31st

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$35.9 million
<i>Kids kept from becoming addicted smokers</i>	14,600
<i>Current adult smokers who would quit</i>	9,000
<i>Lives saved from premature smoking-caused death</i>	7,000
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$7.8 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$341.0 million
<i>Percent decrease in youth smoking</i>	14.0%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

New Mexico would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in New Mexico</u>	
Adults who smoke	19.4%
High school students who smoke	24.2%
Kids (under 18) who try cigarettes for the first time each year	8,200
Deaths caused by smoking each year	2,100
Annual health care costs directly caused by smoking	\$461 million
Annual smoking-caused state Medicaid spending	\$184.0 million
Smoking-caused costs in New Mexico	\$13.99 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$567 per household

New York

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: \$2.75 per pack

Rank among all states: 3rd

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$149.6 million
<i>Kids kept from becoming addicted smokers</i>	106,500
<i>Current adult smokers who would quit</i>	53,800
<i>Lives saved from premature smoking-caused death</i>	48,300
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$40.0 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$2.3 billion
<i>Percent decrease in youth smoking</i>	9.4%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

New York would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in New York</u>	
Adults who smoke	16.8%
High school students who smoke	13.8%
Kids (under 18) who try cigarettes for the first time each year	85,000
Deaths caused by smoking each year	25,400
Annual health care costs directly caused by smoking	\$8.17 billion
Annual smoking-caused state Medicaid spending	\$5.4 billion
Smoking-caused costs in New York	\$21.91 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$894 per household

North Carolina

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: 45¢ per pack

Rank among all states: 44th

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$326.7 million
<i>Kids kept from becoming addicted smokers</i>	83,700
<i>Current adult smokers who would quit</i>	51,700
<i>Lives saved from premature smoking-caused death</i>	40,400
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$50.7 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$1.9 billion
<i>Percent decrease in youth smoking</i>	15.9%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

North Carolina would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in North Carolina</u>	
Adults who smoke	20.9%
High school students who smoke	19.0%
Kids (under 18) who try cigarettes for the first time each year	42,200
Deaths caused by smoking each year	12,200
Annual health care costs directly caused by smoking	\$2.46 billion
Annual smoking-caused state Medicaid spending	\$769.0 million
Smoking-caused costs in North Carolina	\$7.17 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$572 per household

North Dakota

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: 44¢ per pack

Rank among all states: 45th

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$28.0 million
<i>Kids kept from becoming addicted smokers</i>	4,900
<i>Current adult smokers who would quit</i>	3,200
<i>Lives saved from premature smoking-caused death</i>	2,400
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$3.3 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$116.2 million
<i>Percent decrease in youth smoking</i>	16.0%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

North Dakota would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in North Dakota</u>	
Adults who smoke	18.2%
High school students who smoke	21.1%
Kids (under 18) who try cigarettes for the first time each year	2,500
Deaths caused by smoking each year	800
Annual health care costs directly caused by smoking	\$247 million
Annual smoking-caused state Medicaid spending	\$47.0 million
Smoking-caused costs in North Dakota	\$10.48 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$567 per household

Ohio

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: \$1.25 per pack

Rank among all states: 25th

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$299.7 million
<i>Kids kept from becoming addicted smokers</i>	109,000
<i>Current adult smokers who would quit</i>	52,600
<i>Lives saved from premature smoking-caused death</i>	48,800
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$57.5 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$2.4 billion
<i>Percent decrease in youth smoking</i>	13.2%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

Ohio would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in Ohio</u>	
Adults who smoke	20.2%
High school students who smoke	19.4%
Kids (under 18) who try cigarettes for the first time each year	63,900
Deaths caused by smoking each year	18,500
Annual health care costs directly caused by smoking	\$4.37 billion
Annual smoking-caused state Medicaid spending	\$1.4 billion
Smoking-caused costs in Ohio	\$9.19 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$622 per household

Oklahoma

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: \$1.03 per pack

Rank among all states: 28th

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$134.7 million
<i>Kids kept from becoming addicted smokers</i>	34,100
<i>Current adult smokers who would quit</i>	21,300
<i>Lives saved from premature smoking-caused death</i>	16,500
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$24.6 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$799.1 million
<i>Percent decrease in youth smoking</i>	14.0%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

Oklahoma would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in Oklahoma</u>	
Adults who smoke	24.8%
High school students who smoke	23.2%
Kids (under 18) who try cigarettes for the first time each year	19,100
Deaths caused by smoking each year	6,200
Annual health care costs directly caused by smoking	\$1.16 billion
Annual smoking-caused state Medicaid spending	\$218.0 million
Smoking-caused costs in Oklahoma	\$7.62 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$557 per household

Oregon

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: \$1.18 per pack

Rank among all states: 26th

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$90.7 million
<i>Kids kept from becoming addicted smokers</i>	28,500
<i>Current adult smokers who would quit</i>	14,700
<i>Lives saved from premature smoking-caused death</i>	13,000
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$13.1 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$638.4 million
<i>Percent decrease in youth smoking</i>	13.7%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

Oregon would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in Oregon</u>	
Adults who smoke	16.3%
High school students who smoke	16.0%
Kids (under 18) who try cigarettes for the first time each year	16,200
Deaths caused by smoking each year	4,900
Annual health care costs directly caused by smoking	\$1.11 billion
Annual smoking-caused state Medicaid spending	\$287.0 million
Smoking-caused costs in Oregon	\$11.16 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$572 per household

Pennsylvania

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: \$1.60 per pack

Rank among all states: 18th

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$292.9 million
<i>Kids kept from becoming addicted smokers</i>	107,300
<i>Current adult smokers who would quit</i>	59,600
<i>Lives saved from premature smoking-caused death</i>	50,100
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$58.1 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$2.4 billion
<i>Percent decrease in youth smoking</i>	12.7%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

Pennsylvania would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in Pennsylvania</u>	
Adults who smoke	21.4%
High school students who smoke	17.5%
Kids (under 18) who try cigarettes for the first time each year	65,400
Deaths caused by smoking each year	20,000
Annual health care costs directly caused by smoking	\$5.19 billion
Annual smoking-caused state Medicaid spending	\$1.7 billion
Smoking-caused costs in Pennsylvania	\$11.53 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$666 per household

Rhode Island

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: \$3.46 per pack

Rank among all states: 1st

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$8.4 million
<i>Kids kept from becoming addicted smokers</i>	6,100
<i>Current adult smokers who would quit</i>	2,900
<i>Lives saved from premature smoking-caused death</i>	2,700
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$2.4 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$134.3 million
<i>Percent decrease in youth smoking</i>	9.1%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

Rhode Island would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in Rhode Island</u>	
Adults who smoke	17.4%
High school students who smoke	15.1%
Kids (under 18) who try cigarettes for the first time each year	5,100
Deaths caused by smoking each year	1,600
Annual health care costs directly caused by smoking	\$506 million
Annual smoking-caused state Medicaid spending	\$179.0 million
Smoking-caused costs in Rhode Island	\$13.24 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$727 per household

South Carolina

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: 7¢ per pack

Rank among all states: 51st

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$209.4 million
<i>Kids kept from becoming addicted smokers</i>	46,700
<i>Current adult smokers who would quit</i>	25,700
<i>Lives saved from premature smoking-caused death</i>	21,700
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$24.4 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$1.0 billion
<i>Percent decrease in youth smoking</i>	16.8%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

South Carolina would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in South Carolina</u>	
Adults who smoke	20.1%
High school students who smoke	17.8%
Kids (under 18) who try cigarettes for the first time each year	22,400
Deaths caused by smoking each year	6,100
Annual health care costs directly caused by smoking	\$1.09 billion
Annual smoking-caused state Medicaid spending	\$393.0 million
Smoking-caused costs in South Carolina	\$7.66 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$565 per household

South Dakota

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: \$1.53 per pack

Rank among all states: 21st

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$15.4 million
<i>Kids kept from becoming addicted smokers</i>	6,600
<i>Current adult smokers who would quit</i>	3,100
<i>Lives saved from premature smoking-caused death</i>	2,900
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$3.8 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$145.0 million
<i>Percent decrease in youth smoking</i>	13.0%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

South Dakota would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in South Dakota</u>	
Adults who smoke	17.6%
High school students who smoke	24.7%
Kids (under 18) who try cigarettes for the first time each year	3,900
Deaths caused by smoking each year	1,000
Annual health care costs directly caused by smoking	\$274 million
Annual smoking-caused state Medicaid spending	\$58.0 million
Smoking-caused costs in South Dakota	\$9.47 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$570 per household

Tennessee

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: 62¢ per pack

Rank among all states: 39th

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$252.6 million
<i>Kids kept from becoming addicted smokers</i>	55,600
<i>Current adult smokers who would quit</i>	37,600
<i>Lives saved from premature smoking-caused death</i>	27,700
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$41.6 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$1.3 billion
<i>Percent decrease in youth smoking</i>	15.3%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

Tennessee would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in Tennessee</u>	
Adults who smoke	23.2%
High school students who smoke	25.5%
Kids (under 18) who try cigarettes for the first time each year	28,800
Deaths caused by smoking each year	9,700
Annual health care costs directly caused by smoking	\$2.16 billion
Annual smoking-caused state Medicaid spending	\$680.0 million
Smoking-caused costs in Tennessee	\$8.70 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$600 per household

Texas

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: \$1.41 per pack

Rank among all states: 22nd

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$418.8 million
<i>Kids kept from becoming addicted smokers</i>	185,500
<i>Current adult smokers who would quit</i>	96,400
<i>Lives saved from premature smoking-caused death</i>	84,900
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$73.8 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$4.2 billion
<i>Percent decrease in youth smoking</i>	13.1%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

Texas would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in Texas</u>	
Adults who smoke	18.6%
High school students who smoke	21.1%
Kids (under 18) who try cigarettes for the first time each year	110,000
Deaths caused by smoking each year	24,500
Annual health care costs directly caused by smoking	\$5.83 billion
Annual smoking-caused state Medicaid spending	\$1.6 billion
Smoking-caused costs in Texas	\$9.94 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$577 per household

Utah

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: 69.5¢ per pack

Rank among all states: 36th

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$43.3 million
<i>Kids kept from becoming addicted smokers</i>	10,500
<i>Current adult smokers who would quit</i>	5,500
<i>Lives saved from premature smoking-caused death</i>	4,800
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$5.6 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$236.0 million
<i>Percent decrease in youth smoking</i>	14.4%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

Utah would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in Utah</u>	
Adults who smoke	9.2%
High school students who smoke	7.9%
Kids (under 18) who try cigarettes for the first time each year	5,700
Deaths caused by smoking each year	1,100
Annual health care costs directly caused by smoking	\$345 million
Annual smoking-caused state Medicaid spending	\$104.0 million
Smoking-caused costs in Utah	\$7.70 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$523 per household

Vermont

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: \$2.24 per pack

Rank among all states: 9th

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$6.7 million
<i>Kids kept from becoming addicted smokers</i>	3,600
<i>Current adult smokers who would quit</i>	1,900
<i>Lives saved from premature smoking-caused death</i>	1,600
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$2.1 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$81.1 million
<i>Percent decrease in youth smoking</i>	10.6%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

Vermont would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in Vermont</u>	
Adults who smoke	16.8%
High school students who smoke	18.2%
Kids (under 18) who try cigarettes for the first time each year	2,700
Deaths caused by smoking each year	800
Annual health care costs directly caused by smoking	\$233 million
Annual smoking-caused state Medicaid spending	\$72.0 million
Smoking-caused costs in Vermont	\$10.04 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$624 per household

Virginia

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: 30¢ per pack

Rank among all states: 49th

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$317.7 million
<i>Kids kept from becoming addicted smokers</i>	65,100
<i>Current adult smokers who would quit</i>	34,100
<i>Lives saved from premature smoking-caused death</i>	29,800
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$25.3 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$1.4 billion
<i>Percent decrease in youth smoking</i>	15.6%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

Virginia would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in Virginia</u>	
Adults who smoke	16.5%
High school students who smoke	15.5%
Kids (under 18) who try cigarettes for the first time each year	33,200
Deaths caused by smoking each year	9,200
Annual health care costs directly caused by smoking	\$2.08 billion
Annual smoking-caused state Medicaid spending	\$401.0 million
Smoking-caused costs in Virginia	\$6.27 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$566 per household

Washington

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: \$2.025 per pack

Rank among all states: 10th

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$80.7 million
<i>Kids kept from becoming addicted smokers</i>	38,400
<i>Current adult smokers who would quit</i>	19,200
<i>Lives saved from premature smoking-caused death</i>	17,300
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$17.7 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$854.4 million
<i>Percent decrease in youth smoking</i>	10.8%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

Washington would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in Washington</u>	
Adults who smoke	15.7%
High school students who smoke	14.4%
Kids (under 18) who try cigarettes for the first time each year	27,000
Deaths caused by smoking each year	7,600
Annual health care costs directly caused by smoking	\$1.95 billion
Annual smoking-caused state Medicaid spending	\$651.0 million
Smoking-caused costs in Washington	\$16.01 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$627 per household

West Virginia

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: 55¢ per pack

Rank among all states: 43rd

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$117.6 million
<i>Kids kept from becoming addicted smokers</i>	19,100
<i>Current adult smokers who would quit</i>	13,100
<i>Lives saved from premature smoking-caused death</i>	9,500
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$16.3 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$458.7 million
<i>Percent decrease in youth smoking</i>	15.4%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

West Virginia would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in West Virginia</u>	
Adults who smoke	26.6%
High school students who smoke	27.6%
Kids (under 18) who try cigarettes for the first time each year	9,900
Deaths caused by smoking each year	3,800
Annual health care costs directly caused by smoking	\$690 million
Annual smoking-caused state Medicaid spending	\$229.0 million
Smoking-caused costs in West Virginia	\$8.93 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$584 per household

Wisconsin

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: \$2.52 per pack

Rank among all states: 6th

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$84.4 million
<i>Kids kept from becoming addicted smokers</i>	38,800
<i>Current adult smokers who would quit</i>	20,500
<i>Lives saved from premature smoking-caused death</i>	17,800
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$20.3 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$873.8 million
<i>Percent decrease in youth smoking</i>	10.6%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

Wisconsin would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in Wisconsin</u>	
Adults who smoke	19.9%
High school students who smoke	16.9%
Kids (under 18) who try cigarettes for the first time each year	28,100
Deaths caused by smoking each year	7,200
Annual health care costs directly caused by smoking	\$2.02 billion
Annual smoking-caused state Medicaid spending	\$480.0 million
Smoking-caused costs in Wisconsin	\$9.53 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$589 per household

Wyoming

BENEFITS FROM A \$1 PER PACK CIGARETTE TAX INCREASE

Current state cigarette tax: 60¢ per pack

Rank among all states: 40th

Nationwide state average: \$1.34 per pack (RI at \$3.46 is highest)

<u>Projected Benefits</u>	
<i>New annual revenue</i>	\$24.8 million
<i>Kids kept from becoming addicted smokers</i>	4,600
<i>Current adult smokers who would quit</i>	2,600
<i>Lives saved from premature smoking-caused death</i>	2,100
<i>5-year health savings from fewer smoking-affected pregnancies, heart attacks, and strokes*</i>	\$3.2 million
<i>Long-term health savings from adult & youth smoking declines**</i>	\$105.2 million
<i>Percent decrease in youth smoking</i>	14.9%

* These immediate heart-stroke and pregnancy cost reductions represent only the tip of the savings iceberg, as the smoking declines from a \$1.00 rate increase would immediately begin to reduce numerous other smoking-caused health costs, as well.

** Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the tax increase.

Wyoming would generate additional economic and public health benefits from equalizing its tax rates on other tobacco products to the higher cigarette tax rate.

<u>Tobacco's Toll in Wyoming</u>	
Adults who smoke	19.4%
High school students who smoke	20.8%
Kids (under 18) who try cigarettes for the first time each year	2,500
Deaths caused by smoking each year	700
Annual health care costs directly caused by smoking	\$136 million
Annual smoking-caused state Medicaid spending	\$37.0 million
Smoking-caused costs in Wyoming	\$12.22 per pack
Residents' state & federal tax burden from smoking-caused government expenditures	\$585 per household

APPENDIX A.

STATE BENEFITS FROM A \$1 CIGARETTE TAX INCREASE

States	Current Cigarette Tax (per pack)	Current Cigarette Tax Rank (1 = high)	Benefits from a \$1 Cigarette Tax Increase						
			Additional Cigarette Tax Revenue (millions/yr)	Kids Kept From Becoming Addicted Smokers	Lives Saved From Early Smoking Death	Five-Year Pregnancy, Heart Attack, & Stroke Health Savings (millions)	Long-Term Health Savings (millions)	Percent Decrease in Youth Smoking	Current Adult Smokers Who Would Quit
Alabama	42.5¢	46th	\$205.0	73,000	30,500	\$25.2	\$1.5 billion	15.3%	27,000
Alaska	\$2.00	11th	\$14.2	4,800	2,100	\$2.9	\$105.9	9.4%	2,300
Arizona	\$2.00	11th	\$67.5	33,600	15,800	\$13.6	\$770.4	11.2%	19,200
Arkansas	\$1.15	27th	\$100.0	23,100	11,100	\$15.9	\$538.2	13.1%	14,100
California	87¢	32nd	\$575.2	228,700	104,500	\$80.8	\$5.1 billion	13.7%	118,300
Colorado	84¢	33rd	\$113.9	35,900	16,900	\$16.6	\$824.0	13.9%	20,600
Connecticut	\$3.00	2nd	\$33.1	20,400	8,900	\$6.3	\$443.5	9.4%	9,100
Delaware	\$1.60	18th	\$30.3	6,400	2,900	\$3.1	\$143.4	12.7%	3,300
DC	\$2.50	8th	\$6.8	2,500	1,300	\$1.0	\$61.8	10.9%	1,900
Florida	\$1.339	24th	\$480.1	129,500	60,400	\$52.8	\$2.9 billion	12.8%	71,600
Georgia	37¢	47th	\$354.5	79,600	38,400	\$41.1	\$1.8 billion	15.7%	49,100
Hawaii	\$2.60	5th	\$18.3	7,600	3,300	\$2.3	\$164.4	9.6%	3,300
Idaho	57¢	42nd	\$46.4	9,800	4,700	\$5.8	\$230.4	14.9%	6,200
Illinois	98¢	30th	\$297.6	110,100	50,300	\$49.8	\$2.4 billion	12.2%	57,100
Indiana	99.5¢	29th	\$230.1	63,600	30,900	\$47.3	\$1.4 billion	14.2%	40,100
Iowa	\$1.36	23rd	\$65.3	24,400	11,100	\$13.3	\$547.7	13.2%	12,700
Kansas	79¢	35th	\$74.7	21,600	10,000	\$11.6	\$492.0	14.3%	12,000
Kentucky	60¢	40th	\$214.0	48,300	23,600	\$40.1	\$1.1 billion	17.0%	31,100
Louisiana	36¢	48th	\$222.4	45,600	20,700	\$20.3	\$1.0 billion	15.3%	23,100
Maine	\$2.00	11th	\$26.2	8,500	3,900	\$4.5	\$192.5	11.0%	4,600
Maryland	\$2.00	11th	\$73.0	34,400	15,200	\$12.3	\$754.0	11.1%	16,000
Massachusetts	\$2.51	7th	\$75.7	33,400	15,500	\$13.0	\$757.4	9.8%	18,200
Michigan	\$2.00	11th	\$181.9	96,400	41,300	\$39.5	\$2.0 billion	11.3%	39,700
Minnesota	\$1.56	20th	\$99.9	41,000	18,200	\$16.9	\$901.8	12.3%	19,400
Mississippi	68¢	37th	\$117.9	27,300	12,900	\$15.8	\$628.8	14.5%	15,900
Missouri	17¢	50th	\$323.6	60,000	29,600	\$44.5	\$1.4 billion	15.7%	39,500
Montana	\$1.70	17th	\$18.6	6,200	2,900	\$4.1	\$143.7	12.1%	3,700
Nebraska	64¢	38th	\$61.9	14,900	6,900	\$8.4	\$339.6	15.2%	8,300
Nevada	80¢	34th	\$78.8	18,700	9,600	\$13.2	\$460.3	14.4%	14,000
New Hampshire	\$1.78	16th	\$41.5	10,800	4,700	\$4.3	\$235.6	12.6%	4,900
New Jersey	\$2.70	4th	\$80.0	48,000	21,100	\$17.0	\$1.0 billion	9.8%	21,800
New Mexico	91¢	31st	\$35.9	14,600	7,000	\$7.8	\$341.0	14.0%	9,000
New York	\$2.75	3rd	\$149.6	106,500	48,300	\$40.0	\$2.3 billion	9.4%	53,800
North Carolina	45¢	44th	\$326.7	83,700	40,400	\$50.7	\$1.9 billion	15.9%	51,700
North Dakota	44¢	45th	\$28.0	4,900	2,400	\$3.3	\$116.2	16.0%	3,200
Ohio	\$1.25	25th	\$299.7	109,000	48,800	\$57.5	\$2.4 billion	13.2%	52,600
Oklahoma	\$1.03	28th	\$134.7	34,100	16,500	\$24.6	\$799.1	14.0%	21,300
Oregon	\$1.18	26th	\$90.7	28,500	13,000	\$13.1	\$638.4	13.7%	14,700
Pennsylvania	\$1.60	18th	\$292.9	107,300	50,100	\$58.1	\$2.4 billion	12.7%	59,600
Rhode Island	\$3.46	1st	\$8.4	6,100	2,700	\$2.4	\$134.3	9.1%	2,900
South Carolina	7¢	51st	\$209.4	46,700	21,700	\$24.4	\$1.0 billion	16.8%	25,700
South Dakota	\$1.53	21st	\$15.4	6,600	2,900	\$3.8	\$145.0	13.0%	3,100
Tennessee	62¢	39th	\$252.6	55,600	27,700	\$41.6	\$1.3 billion	15.3%	37,600
Texas	\$1.41	22nd	\$418.8	185,500	84,900	\$73.8	\$4.2 billion	13.1%	96,400

States	Current Cigarette Tax (per pack)	Current Cigarette Tax Rank (1 = high)	Benefits from a \$1 Cigarette Tax Increase						
			Additional Cigarette Tax Revenue (millions/yr)	Kids Kept From Becoming Addicted Smokers	Lives Saved From Early Smoking Death	Five-Year Pregnancy, Heart Attack, & Stroke Health Savings (millions)	Long-Term Health Savings (millions)	Percent Decrease in Youth Smoking	Current Adult Smokers Who Would Quit
Utah	69.5¢	36th	\$43.3	10,500	4,800	\$5.6	\$236.0	14.4%	5,500
Vermont	\$2.24	9th	\$6.7	3,600	1,600	\$2.1	\$81.1	10.6%	1,900
Virginia	30¢	49th	\$317.7	65,100	29,800	\$25.3	\$1.4 billion	15.6%	34,100
Washington	\$2.025	10th	\$80.7	38,400	17,300	\$17.7	\$854.4	10.8%	19,200
West Virginia	55¢	43rd	\$117.6	19,100	9,500	\$16.3	\$458.7	15.4%	13,100
Wisconsin	\$2.52	6th	\$84.4	38,800	17,800	\$20.3	\$873.8	10.6%	20,500
Wyoming	60¢	40th	\$24.8	4,600	2,100	\$3.2	\$105.2	14.9%	2,600

These projections assume that the state or district will follow standard practice and apply the cigarette tax increase to all previously tax-stamped or otherwise tax-paid cigarettes held in inventory by wholesalers or retailers on the effective date of the increase. Failing to tax such cigarettes held in inventory would open the door to massive pre-increase stockpiling by retailers and wholesalers to evade the increase, drastically reducing the amount of new state revenues.

Sources: Orzechowski & Walker, *Tax Burden on Tobacco*, 2007. USDA Economic Research Service. Chaloupka, F, "Macro-Social Influences: The Effects of Prices and Tobacco Control Policies on the Demand for Tobacco Products," *Nicotine and Tobacco Research*, 1999 and other price studies at <http://tigger.uic.edu/~fjc> and www.uic.edu/orgs/impactteen. Farrelly, M, et al., "Cigarette Smuggling Revisited," U.S. Centers for Disease Control & Prevention (CDC), in press. CDC, *State Highlights 2006*. See, also, U.S. General Accounting Office (GAO), "CDC's April 2002 Report on Smoking: Estimates of Selected Health Consequences of Cigarette Smoking Were Reasonable," letter to U.S. Rep. Richard Burr, July 16, 2003, <http://www.gao.gov/new.items/d03942r.pdf>. Lightwood, J & Glantz, S, "Short-Term Economic and Health Benefits of Smoking Cessation - Myocardial Infarction and Stroke," *Circulation* 96(4): 1089-1096, August 19, 1997, <http://circ.ahajournals.org/cgi/content/full/96/4/1089>; Miller, D, et al., "Birth and First-Year Costs for Mothers and Infants Attributable to Maternal Smoking," *Nicotine & Tobacco Research* 3(1):25-35, February 2001; Hodgson, T, "Cigarette Smoking and Lifetime Medical Expenditures," *The Millbank Quarterly* 70(1), 1992. AK, DE, MT, NH & OR have no state retail sales tax at all; CO, MN & OK have a state sales tax but it do not apply it to cigarettes; and AL, GA & MO (unlike the rest of the states) do not apply their state sales tax to that portion of retail cigarette prices that represents the state's cigarette excise tax.

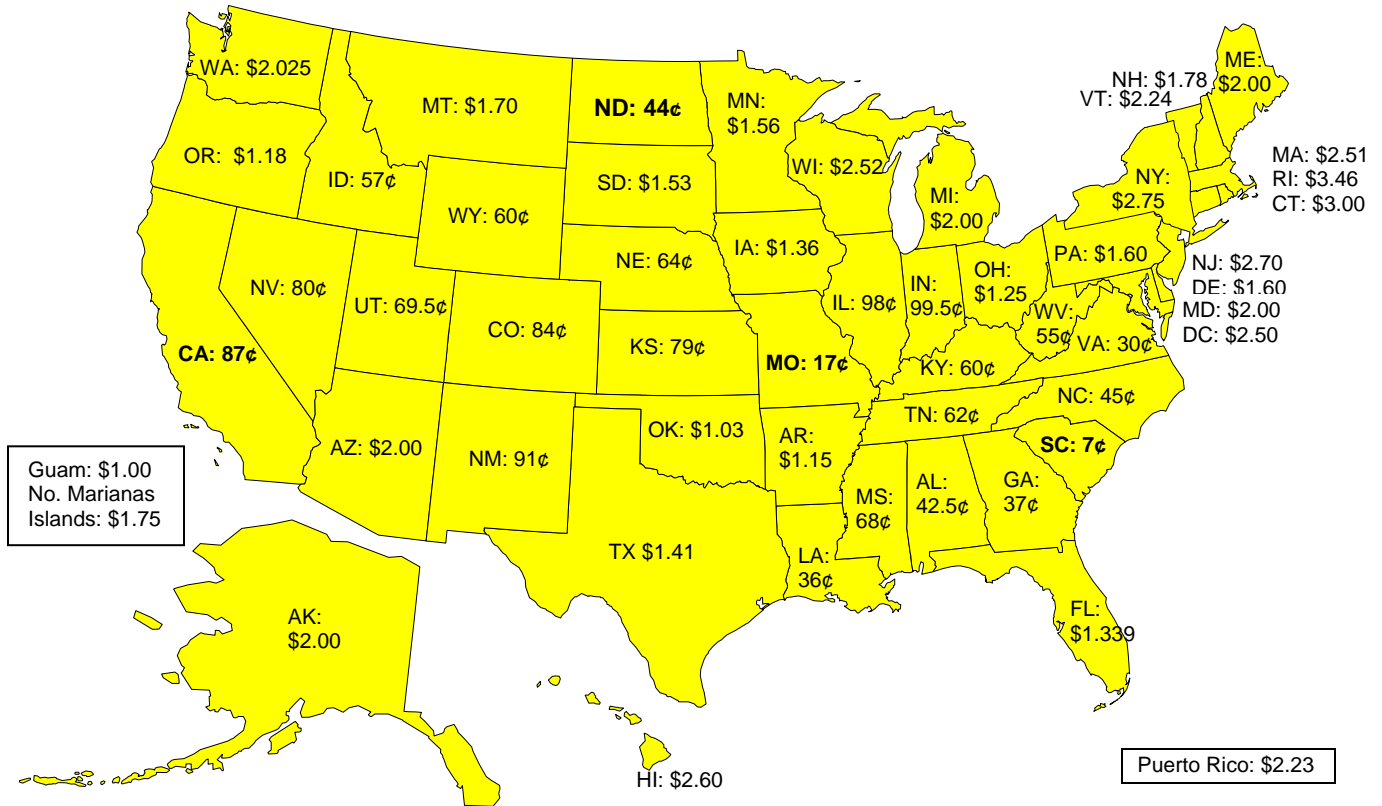
APPENDIX B.

MAP AND TABLE OF CURRENT STATE CIGARETTE TAX RATES

Average State Cigarette Tax: \$1.34 per Pack

Average Cigarette Tax in Major Tobacco States: 40.2 cents per Pack

Average Cigarette Tax in Non-Tobacco States: \$1.47 per Pack



State	Tax	Rank
Alabama	\$0.425	46th
Alaska	\$2.00	11th
Arizona	\$2.00	11th
Arkansas	\$1.15	27th
California	\$0.87	32nd
Colorado	\$0.84	33rd
Connecticut	\$3.00	2nd
Delaware	\$1.60	18th
DC	\$2.50	8th
Florida	\$1.339	24th
Georgia	\$0.37	47th
Hawaii	\$2.60	5th
Idaho	\$0.57	42nd
Illinois	\$0.98	30th
Indiana	\$0.995	29th
Iowa	\$1.36	23rd
Kansas	\$0.79	35th
Kentucky	\$0.60	40th

State	Tax	Rank
Louisiana	\$0.36	48th
Maine	\$2.00	11th
Maryland	\$2.00	11th
Massachusetts	\$2.51	7th
Michigan	\$2.00	11th
Minnesota	\$1.56	20th
Mississippi	\$0.68	37th
Missouri	\$0.17	50th
Montana	\$1.70	17th
Nebraska	\$0.64	38th
Nevada	\$0.80	34th
New Hampshire	\$1.78	16th
New Jersey	\$2.70	4th
New Mexico	\$0.91	31st
New York	\$2.75	3rd
North Carolina	\$0.45	44th
North Dakota	\$0.44	45th
Ohio	\$1.25	25th

State	Tax	Rank
Oklahoma	\$1.03	28th
Oregon	\$1.18	26th
Pennsylvania**	\$1.60	18th
Rhode Island	\$3.46	1st
South Carolina	\$0.07	51st
South Dakota	\$1.53	21st
Tennessee	\$0.62	39th
Texas	\$1.41	22nd
Utah	\$0.695	36th
Vermont	\$2.24	9th
Virginia	\$0.30	49th
Washington	\$2.025	10th
West Virginia	\$0.55	43rd
Wisconsin	\$2.52	6th
Wyoming	\$0.60	40th
Puerto Rico	\$2.23	NA
Guam	\$1.00	NA
Northern Marianas	\$1.75	NA

* Tax stamp includes 75¢ health impact fee & 33¢ cigarette sales tax (Commissioner of Revenue sets sales tax rate each year)

** Effective 11/1/2009.

State cigarette tax rates effective as of December 2009. The four states that have not increased their cigarette tax rate since 1999 or earlier are marked in bold. Currently, 28 states (including DC) and Puerto Rico, the Northern Marianas, and Guam have cigarette tax rates of \$1.00 per pack or higher; 15 states (including DC) have cigarette tax rates of \$2.00 per pack or higher; and two states (CT and RI) have cigarette tax rates of \$3.00 per pack or higher. The state averages listed above do not include Puerto Rico (with a population larger than those in 20 states) or any of the U.S. territories (such as Guam). The major tobacco states with extensive tobacco farming and, often, cigarette manufacturing, are NC, KY, VA, SC, TN, & GA. Federal cigarette tax is \$1.01 per pack. Not shown are the special taxes or fees some states place on cigarettes made by Non-Participating Manufacturers (NPMs), the companies that have not joined the Master Settlement Agreement (MSA) between the states and the major cigarette companies. Some local governments also have their own cigarette taxes, such as Chicago (68¢), Cook County, IL (\$2.00), New York City (\$1.50), and Anchorage, AK (\$1.30). The U.S. Centers for Disease Control & Prevention estimates that smoking-caused health costs and productivity losses total \$10.47 per pack sold.

APPENDIX C.

RAISING STATE CIGARETTE TAXES ALWAYS INCREASES STATE REVENUES (AND ALWAYS REDUCES SMOKING)

Every single state that has raised its cigarette tax rate has subsequently received more tax revenue than they would have received without a rate increase, despite the fact that cigarette tax increases reduce state smoking levels and despite any related increases in cigarette smuggling or tax evasion. Put simply, the increased tax per pack brings in more new state revenue than is lost from the related reductions in the number of packs sold and taxed in the state. Moreover, the substantially higher revenue levels enjoyed by those states that significantly increase their cigarette tax rates persist over time (while the cost savings from the related smoking declines grow rapidly).¹

The table below shows all of the state cigarette tax increases in 2007 and two from January 2008, with each state enjoying large revenue increases in the following 12 months (compared to the prior 12 months) despite related consumption and pack-sale declines. Data from earlier state cigarette tax increases show the same kinds of positive results (as documented in previous versions of this factsheet), and subsequent state tax increases will show the same, as well, once the data is available. In sharp contrast, those states that fail to increase their cigarette taxes typically experience gradual cigarette tax revenue declines from year to year caused by ongoing reductions in state smoking levels.

State Revenue Gains from Recent Cigarette Tax Rate Increases

State	Effective Date	Tax Increase Amount (per pack)	New State Tax Rate (per pack)	State Pack Sales Decline	Nationwide Pack Sales Trend	Revenue Increase	New Revenues (millions)
<i>Alaska</i>	7/1/07	20¢	\$2.00	- 3.8%	- 4.7%	+ 7.7%	\$4.5
<i>Connecticut</i>	7/1/07	49¢	\$2.00	- 11.2%	- 4.7%	+ 19.0%	\$50.3
<i>Delaware</i>	7/31/07	60¢	\$1.15	- 35.1%	- 4.9%	+ 35.1%	\$31.8
<i>Hawaii</i>	9/30/07	20¢	\$2.00	+ 0.05%	- 5.5%	+ 11.1%	\$10.1
<i>Indiana</i>	7/1/07	44¢	99.5¢	- 20.2%	- 4.7%	+ 43.0%	\$155.0
<i>Iowa</i>	3/15/07	\$1.00	\$1.36	- 30.6%	- 4.7%	+ 140.2%	\$128.0
<i>Maryland</i>	1/1/08	\$1.00	\$2.00	- 27.1%	- 4.2%	+ 45.8%	\$126.9
<i>New Hampshire</i>	7/1/07	28¢	\$1.08	- 13.7%	- 4.7%	+ 16.4%	\$22.7
<i>South Dakota</i>	1/1/07	\$1.00	\$1.53	- 25.8%	- 5.0%	+ 115.4%	\$31.8
<i>Tennessee</i>	7/1/07	42¢	62¢	- 35.0%	- 4.7%	+ 100.9%	\$133.5
<i>Texas</i>	1/1/07	\$1.00	\$1.41	- 21.0%	- 5.0%	+ 191.7%	\$1,003.7
<i>Wisconsin</i>	1/1/08	\$1.00	\$1.77	- 15.0%	- 4.2%	+ 93.9%	\$283.0

Sources: Orzechowski & Walker, *Tax Burden on Tobacco*. U.S. Alcohol and Tobacco Tax and Trade Bureau. Consumption declines and revenue increases are for the 12 months before and after the tax increase. Nationwide consumption declines are for the 50 states and DC.

False Cigarette Company Claims about Smuggling & Tax Evasion

The cigarette companies and their allies continue to make the clearly false argument that cigarette tax increases will not produce substantial amounts of new state revenue because the increases will prompt enormous new surges in cigarette smuggling and smoker tax evasion. *But every single state that has increased its cigarette taxes has received more revenue than it would have collected absent a rate increase – despite the lost sales from related smoking declines and despite any increases in cigarette smuggling or other tax-evasion.*¹

¹ In rare cases, a small state cigarette tax increase might not bring in enough new revenue to make up for significant ongoing state pack sales declines from other factors and related reduced revenue. But that has happened only once: after NJ increased its \$2.40 per pack tax by another 17.5¢, its total cigarette tax revenues still declined somewhat over the following year. But without the rate increase the state's cigarette tax revenues would have dropped much more sharply. Every single one of the more than 100 other state cigarette tax rate increases has produced a significant net increase to annual state tax revenues despite any ongoing smoking or pack sales declines.

In fact, research shows that smuggling and tax evasion not only fails to eliminate revenue gains from cigarette tax increases but is also a much smaller problem than the cigarette companies and their allies claim (especially when compared to the additional new revenues, public health benefits, and smoking-caused cost reductions from state cigarette tax increases). For example, a 2003 economic research study found that state smuggling and tax evasion revenue losses totaled less than eight percent of total state cigarette tax revenues (with those losses concentrated in the highest-tax states).² Similarly, a 2005 study found that all smuggling and tax evasion accounted for less than ten percent of all cigarette sales.³ In California, a survey found that soon after the state's 50-cent cigarette-tax increase went into effect, less than five percent of all continuing smokers were trying to evade the state's cigarette tax.⁴ It is also clear that states can implement a range of measures to sharply curtail any tobacco tax evasion or cigarette smuggling that may be occurring.⁵

After a cigarette tax increase, many smokers who initially try to avoid the higher rate soon use up their stockpile of cigarettes purchased right before the increase or tire of driving across state border or going to the Internet to buy cheaper cigarettes, and return to the convenience of normal full-tax purchases in their own state. Indeed, the vast majority of smokers prefer to buy cigarettes by the pack, but cross-border and Internet purchases involve multiple cartons.⁶ For example, New York state's taxable pack sales decreased sharply in the year after the state's 55-cent tax increase in March 2000, beyond what consumption declines might explain, but then increased in the following year – most likely because of smokers' depleted pre-increase stockpiles of cigarettes, smoker tax-evasion fatigue, and the strong appeal of convenient single-pack purchases from nearby sales outlets.

It is also worth noting that any real or imagined problems with smuggling and tax evasion after New York state's cigarette tax increase in 2000 were not significant enough to stop the state from increasing its cigarette tax to \$1.50 per pack in 2002, and, more recently, to \$2.75 per pack. Nor did it stop the state from permitting New York City to increase its supplementary local cigarette tax from 8 cents to \$1.50 per pack in 2002. The levels of cigarette smuggling and tax evasion in New York City are supposedly among the highest in the country; but in the first year after its 2002 rate increase revenues increased nine-fold, to \$250 million, significantly more than the city had expected.⁷

When their false argument that states will not get additional revenues from raising cigarette tax rates is rejected, cigarette companies and their allies often fall back to arguing that states have not received as much new revenue “as expected” from their cigarette tax increases. But such “less than expected” results are just a matter of some states making overly optimistic revenue projections that fail to account for ongoing smoking declines and all the smoking reductions and other pack sales declines prompted by cigarette tax increases.⁸

¹ See, e.g., Campaign for Tobacco-Free Kids (TFK) Factsheet, *Tobacco Tax Increases are a Reliable Source of Substantial New State Revenue*, <http://www.tobaccofreekids.org/research/factsheets/pdf/0303.pdf>.

² Farrelly, M, et al., *State Cigarette Excise Taxes: Implications for Revenue and Tax Evasion*, RTI International, May 2003, http://www.rti.org/pubs/8742_Excise_Taxes_FR_5-03.pdf. See also, Yurekli, A & Zhang, P, “The Impact of Clean Indoor-Air Laws and Cigarette Smuggling on Demand for Cigarettes: An Empirical Model,” *Health Economics* 9:159-170, 2000.

³ Stehr, M, “Cigarette Tax Avoidance and Evasion,” *Journal of Health Economics*, 24(2):277-297, March 2005.

⁴ Emery, S, et al., “Was There Significant Tax Evasion After the 1999 50 Cent Per Pack Cigarette Tax Increase in California?” *Tobacco Control* 11:130-34, June 2002, <http://tc.bmjournals.com/cgi/reprint/11/2/130.pdf>.

⁵ See, e.g., TFK Factsheet, *State Options to Prevent and Reduce Cigarette Smuggling and Block Other Illegal Efforts to Evade State Tobacco Taxes*, <http://tobaccofreekids.org/research/factsheets/pdf/0274.pdf>.

⁶ Quinn, C, “Tobacco Ad Fight Headed to Court: 3 Companies Want to Keep Philip Morris From Grabbing Retail-Counter Display Space,” *Winston-Salem Journal*, June 7, 1999 [65% of cigarette sales are individual packs].

⁷ New York City Department of Finance.

⁸ For more on this additional false argument against state cigarette tax increases, see the TFK Factsheet, *Responses to Misleading and Inaccurate Cigarette Company Arguments Against State Tobacco Tax Increases*, <http://www.tobaccofreekids.org/research/factsheets/pdf/0227.pdf> [at point II].

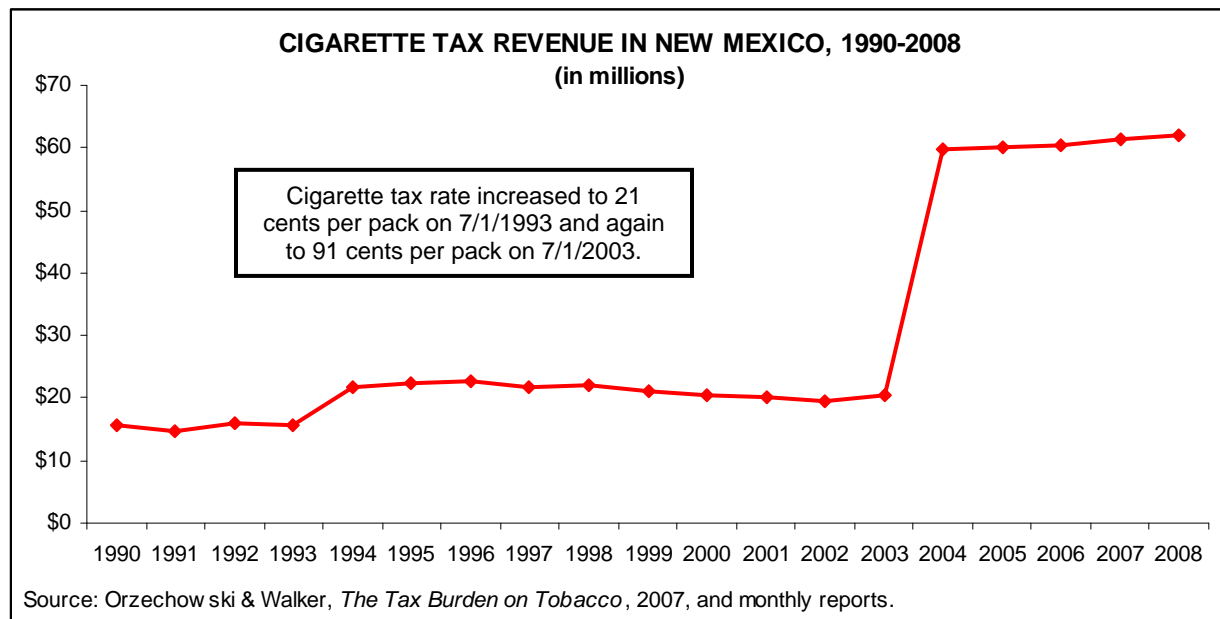
APPENDIX D.

TOBACCO TAX INCREASES ARE A RELIABLE SOURCE OF SUBSTANTIAL NEW STATE REVENUE

Opponents of state tobacco tax increases often claim, incorrectly, that tobacco taxes are unreliable sources of state revenue. In fact, state tobacco taxes are one of the most predictable sources of revenue that states receive. Any significant reductions to state tobacco tax revenues from ongoing smoking declines are dwarfed by the much larger reductions in government and private sector smoking-caused costs those smoking declines produce.

The success of effective tobacco control policies means that cigarette consumption will drop more rapidly than in the past – a trend that benefits public health, increases worker productivity, and lowers state health care costs. In fact, industry analysts now predict that national pack sales will decline by about four to five percent per year, on average, because of smokers quitting, cutting back, or switching to other tobacco products.¹ States with aggressive ongoing tobacco prevention efforts will likely see additional declines, but they would be offset by even larger reductions in smoking-caused costs. In addition, states can take a variety of actions to protect and maintain, or even increase, their tobacco tax revenues over time.

Significant tobacco tax increases always produce substantial net new revenues. In every single instance where a state has passed a significant cigarette tax increase, the state has enjoyed a substantial increase to its state cigarette tax revenues, well above what they would have received absent any rate increase. This occurs, despite significant declines in smoking rates and taxed pack sales, because the increased tax per pack brings in much more new revenue than is lost by the declines in the number of taxed packs.² The higher level of state tobacco tax revenues after a rate increase will decline over time as state smoking levels continue to shrink, but the revenue levels will remain much higher than they would have been without the rate increase. Moreover, the smoking-reduction revenue declines will occur at a gradual, predictable rate (as related savings grow), making related state budgeting quite easy. The following graph, presenting data from New Mexico, shows how state cigarette tax revenues do not decline sharply in the years following a significant cigarette tax increase.



Tobacco tax revenues are much more predictable than many other state revenues. Year to year, state tobacco tax revenues are more predictable and less volatile than many other state revenue sources, such as state income tax or corporate tax revenues, which can vary considerably each year because of

nationwide recessions or state economic slowdowns. In sharp contrast, large drops in tobacco tax revenue from one year to the next are quite rare because of the addictive power of cigarettes.

Comprehensive tobacco prevention efforts are likely to reduce state smoking rates by roughly one or two percentage points each year, but those smoking declines reduce total state pack sales and revenues by much smaller amounts, proportionately, since the heaviest smokers who consume the most cigarettes (and pay the most taxes) are the most addicted and most resistant to quitting. It is also worth noting that smokers who quit or cutback typically use their savings from reduced cigarette purchases to buy various other goods and services in the state, thereby increasing other state tax revenues and helping to strengthen the state economy.

Smoking declines produce enormous public and private sector savings that more than offset any state revenue reductions from fewer packs being sold. Although reductions to state smoking levels in the years after a cigarette tax increase will gradually erode state tobacco tax revenues (in the absence of any new state rate increases), those smoking declines will simultaneously lock in even bigger reductions in government and private sector smoking-caused costs. At the same time, the state would enjoy the even larger, rapidly growing cost savings from the sharper smoking declines prompted by the original cigarette tax increase.³

For example, cigarette tax increases work best to reduce smoking among youth, lower-income smokers and pregnant women – and those smoking declines directly reduce state Medicaid program expenditures. Similarly, decreasing smoking rates among workers directly reduces public and private sector employers' health insurance costs – while also reducing business productivity losses from smoking-caused job performance declines and work absences, and from losing productive workers to smoking-caused disease or disability. Among the many other savings from smoking reductions are reduced property losses from smoking-caused fires, and reduced cleaning and maintenance costs.

States can implement numerous cost-effective strategies to maintain and increase their tobacco tax revenues. To increase and then stabilize total state tobacco product tax revenue, states should make sure their tax rates on other tobacco products parallel their cigarette tax rates. Establishing such tax parity will ensure that a state does not lose revenues when smokers switch from cigarettes to other tobacco products. This kind of switching has been quite pronounced lately – largely because of much lower state tax rates on cigars and smokeless tobacco compared to cigarettes. In just the first five months of 2008 compared to 2007, cigarette sales dropped by 4.5 percent nationwide while moist snuff sales increased by 5.6 percent and small cigar sales increased by 21.2 percent.⁴

States can also *increase* their tobacco tax revenues, *without* raising tax rates, by implementing cost-effective initiatives to prevent and reduce cigarette smuggling and other forms of tobacco tax evasion – such as switching to high-tech tax stamps; passing strict laws to prevent illegal Internet cigarette sales; or increasing enforcement efforts.⁵ California, the first state with high-tech tax stamps, enjoyed a \$100 million increase in cigarette tax revenues in just the first 20 months after the new tax stamps were introduced.⁶

If gradually declining state tobacco tax revenues is still a concern – despite all the benefits and cost savings from the related smoking declines – a state could simply increase its tobacco tax rates both to offset the declines and bring in substantial more revenue. Alternatively, the state could implement legislation to allow the state treasurer or tax commissioner to increase state tobacco tax rates whenever state tobacco tax revenues (or total state tobacco revenues, including tobacco settlement payments) decline by more than a nominal amount compared to the prior year. Or the state could simply establish automatic, periodic adjustments to state cigarette tax rates to account for increases in inflation or cigarette prices, and maintain a comparable percentage-of-price tax on other tobacco products, which will automatically adjust for inflation, as well. But it is important to note that regular small increases to tobacco tax rates produce little or no public health benefits or cost savings compared to periodic larger lump-sum increases.

¹ Standard & Poor's, *Altria Group: Sub-Industry Outlook*, December 6, 2008.

² Campaign for Tobacco-Free Kids (TFK) Factsheet, *Raising State Cigarette Taxes Always Increases State Revenues (And Always Reduces Smoking)*, <http://tobaccofreekids.org/research/factsheets/pdf/0098.pdf>.

³ State-specific factsheets are available upon request from factsheets@tobaccofreekids.org.

⁴ U.S. Alcohol and Tobacco Tax and Trade Bureau. See also, TFK Factsheet, *How to Make State Cigar Tax Rates Fair and Effective*, <http://www.tobaccofreekids.org/research/factsheets/pdf/0335.pdf>, and *The Problem with Roll-Your-Own (RYO) Cigarettes*, <http://www.tobaccofreekids.org/research/factsheets/pdf/0336.pdf>.

⁵ See the TFK Factsheet, *State Options to Prevent and Reduce Cigarette Smuggling and to Block Other Illegal State Tobacco Tax Evasion*, <http://tobaccofreekids.org/research/factsheets/pdf/0274.pdf>.

⁶ Halper, E, "States Tobacco Revenue Surges," *Los Angeles Times*, December 27, 2005. TFK Factsheet, *The Case for High-Tech Cigarette Tax Stamps*, <http://www.tobaccofreekids.org/research/factsheets/pdf/0310.pdf>.

APPENDIX E.

RAISING CIGARETTE TAXES REDUCES SMOKING, ESPECIALLY AMONG KIDS (AND THE CIGARETTE COMPANIES KNOW IT)

The cigarette companies have opposed tobacco tax increases by arguing that raising cigarette prices would not reduce adult or youth smoking. But the companies' internal documents, disclosed in the tobacco lawsuits, show that they know very well that raising cigarette prices is one of the most effective ways to prevent and reduce smoking, especially among kids.

- Philip Morris: *Of all the concerns, there is one - taxation - that alarms us the most. While marketing restrictions and public and passive smoking [restrictions] do depress volume, in our experience taxation depresses it much more severely. Our concern for taxation is, therefore, central to our thinking*¹
- Philip Morris: *When the tax goes up, industry loses volume and profits as many smokers cut back.*²
- RJ Reynolds: *If prices were 10% higher, 12-17 incidence [youth smoking] would be 11.9% lower.*³
- Philip Morris: *It is clear that price has a pronounced effect on the smoking prevalence of teenagers, and that the goals of reducing teenage smoking and balancing the budget would both be served by increasing the Federal excise tax on cigarettes.*⁴
- Philip Morris: *Jeffrey Harris of MIT calculated...that the 1982-83 round of price increases caused two million adults to quit smoking and prevented 600,000 teenagers from starting to smoke...We don't need to have that happen again.*⁵
- Philip Morris: *A high cigarette price, more than any other cigarette attribute, has the most dramatic impact on the share of the quitting population...price, not tar level, is the main driving force for quitting.*⁶

[For more on cigarette company documents and price/tax increases see the 2002 study in the *Tobacco Control* journal, "Tax, Price and Cigarette Smoking: Evidence from the Tobacco Documents."⁷]

The cigarette companies have even publicly admitted the effectiveness of tax increases to deter smoking in their required filings with the U.S. Securities and Exchange Commission.

- Philip Morris: *Tax increases are expected to continue to have an adverse impact on sales of tobacco products by our tobacco subsidiaries, due to lower consumption levels...* [10-Q Report, November 3, 2008]
- Lorillard Tobacco: *We believe that increases in excise and similar taxes have had an adverse impact on sales of cigarettes. In addition, we believe that future increases, the extent of which cannot be predicted, could result in further volume declines for the cigarette industry, including Lorillard Tobacco...* [10-Q Report, November 4, 2008]
- R.J. Reynolds: *Together with manufacturers' price increases in recent years and substantial increases in state and federal taxes on tobacco products, these developments have had and will likely continue to have an adverse effect on the sale of tobacco products.* [10-Q Report, October 24, 2008]

Or, as the Convenience Store News put it: *"It's not a hard concept to grasp -- as taxes on cigarettes goes up, sales of cigarettes go down."*⁸

Economic Research Confirms That Cigarette Tax Increases Reduce Smoking. Numerous economic studies in peer-reviewed journals have documented that cigarette tax or price increases reduce both adult and underage smoking. The general consensus is that every 10 percent increase in the real price of cigarettes reduces overall cigarette consumption by approximately three to five percent, reduces the number of young-adult smokers by 3.5 percent, and reduces the number of kids who smoke by six or seven percent.⁹ Research studies have also found that:

- Cigarette price and tax increases work even more effectively to reduce smoking among males, Blacks, Hispanics, and lower-income smokers.¹⁰
- A cigarette tax increase that raises prices by ten percent will reduce smoking among pregnant women by seven percent, preventing thousands of spontaneous abortions and still-born births, and saving tens of thousands of newborns from suffering from smoking-affected births and related health consequences.¹¹
- Higher taxes on smokeless tobacco reduce its use, particularly among young males; and increasing cigar prices through tax increases reduce adult and youth cigar smoking.¹²
- Cigarette price increases not only reduce youth smoking but also reduce both the number of kids who smoke marijuana and the amount of marijuana consumed by continuing users.¹³
- By reducing smoking levels, cigarette tax increases reduce secondhand smoke exposure among nonsmokers, especially children and pregnant women.

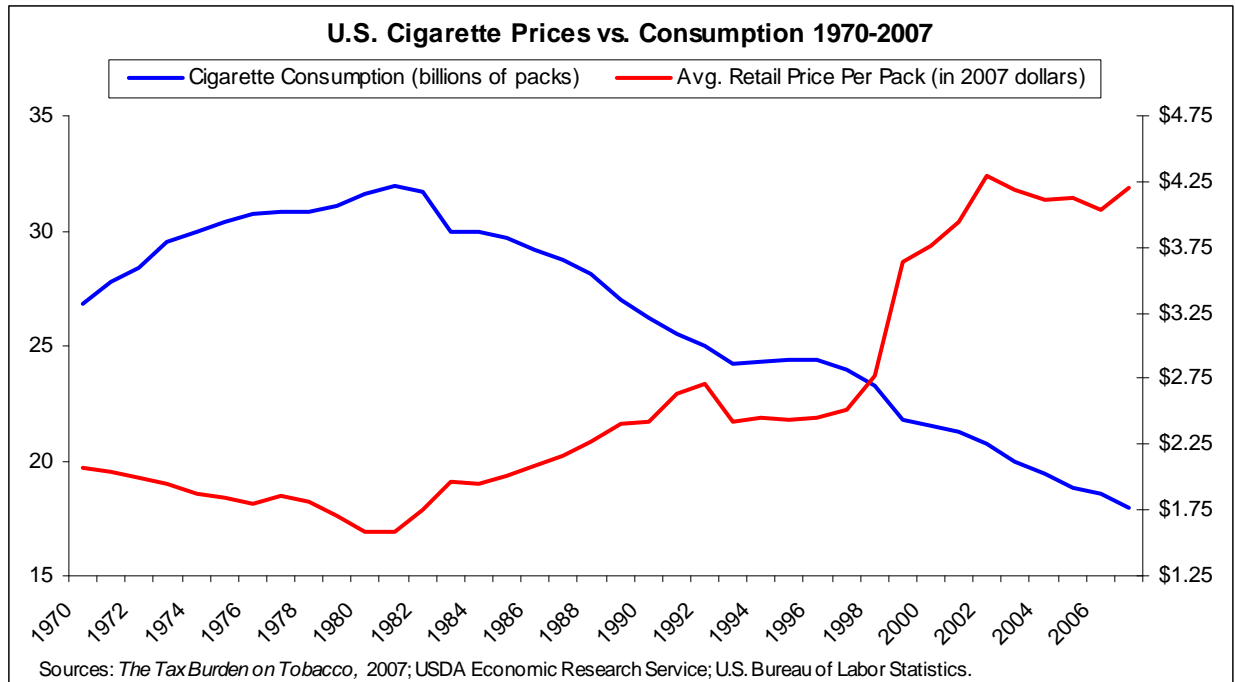
Recent State Experiences

In every single state that has significantly raised its cigarette tax rate, pack sales have gone down sharply.¹⁴ While some of the decline in pack sales comes from interstate smuggling and from smokers going to other lower-tax states to buy their cigarette, reduced consumption from smokers quitting and cutting back plays a more powerful role. As shown in more detail, below, nationwide data – which counts both legal in-state purchases and the vast majority of packs purchased through cross-border, Internet, or smuggled sales – shows that overall packs sales go down as state cigarette tax increases push up the average national price.

In-state evidence shows that state cigarette tax increases are prompting many smokers to quit or cutback. For example, the Wisconsin Quit Line received a record-breaking 20,000 calls in the first two months after its \$1.00 per cigarette pack increase (it typically receives 9,000 calls per year). Likewise, in Texas and Iowa, which each increased their cigarette taxes by \$1.00 in 2007, the number of calls to the state quitlines have been much higher compared to the year before.¹⁵ It is also clear that these efforts to quit by smokers after tax increases translate directly into lower future smoking rates. In Washington State, for example, adult smoking from the year before its 60-cent cigarette tax increase in 2002 to the year afterwards declined from 22.6 to 19.7 percent, reducing the number of adult smokers in the state by more than 100,000, despite overall population increases.¹⁶

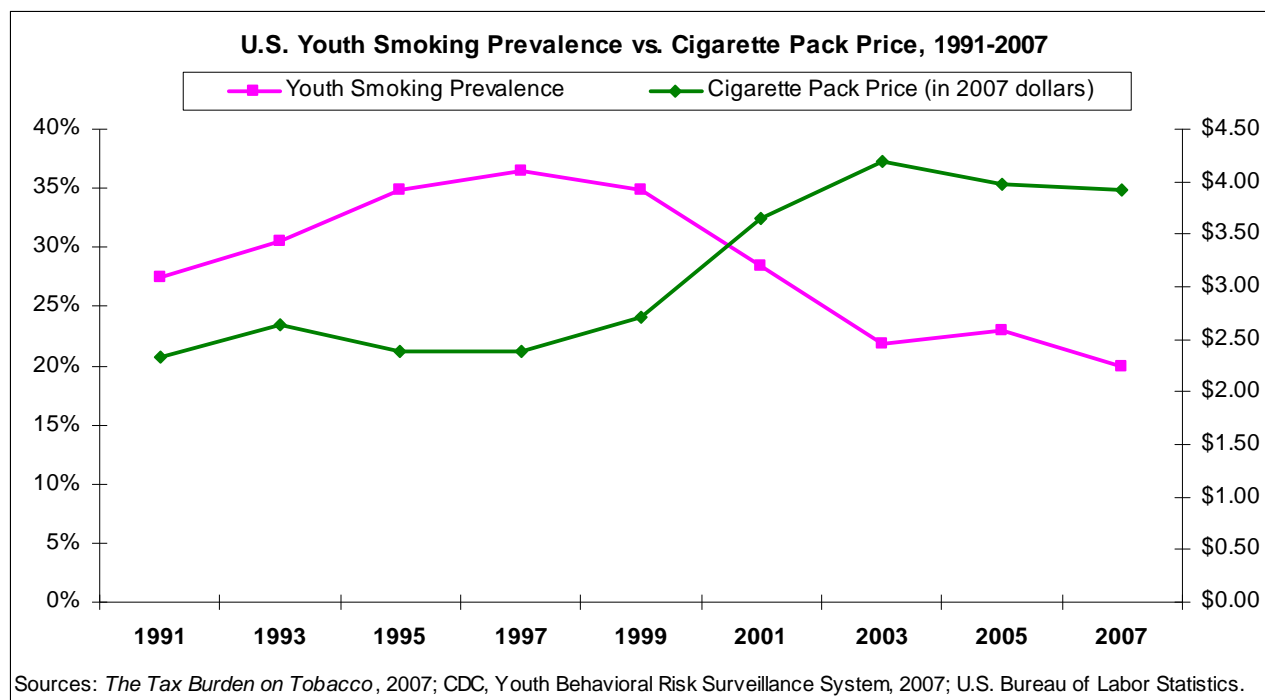
Increasing U.S. Cigarette Prices and Declining Consumption

Although there are many other factors involved, comparing the trends in cigarette prices and overall U.S. cigarette consumption from 1970 to 2007 shows that there is a strong correlation between increasing prices and decreasing consumption.



While U.S. cigarette prices are largely controlled by the cigarette companies' price-setting decisions, from 1970 to 2006, the federal tax on cigarettes also increased from eight cents to 39 cents per pack and the average state cigarette tax increased from 10 cents to \$1.07 per pack during that time period. Without these federal and state tax increases, U.S. cigarette prices would be much lower and U.S. smoking levels would be much higher.

Prices and Youth Smoking Rates. The chart below shows how closely youth smoking prevalence is to cigarette pack prices. As prices climbed in the late 1990s and early 2000s, youth smoking rates declined, but as the price decreased between 2003 and 2005 (along with funding for tobacco prevention programs in many states), youth rates increased. Even the slight increase in price between 2005 and 2007 corresponds with a decline in youth smoking rates.



Expert Conclusions on Cigarette Prices and Smoking Levels

- In its 2007 report, *Ending the Tobacco Problem: A Blueprint for the Nation*, the National Academy of Sciences' Institute of Medicine recommends raising cigarette taxes in states with low rates and indexing them to inflation, to reduce cigarette consumption and to provide money for tobacco control. The report states, "Tobacco excise tax revenues pose a potential funding stream for state tobacco control programs. Setting aside about one-third of the per-capita proceeds from tobacco excise taxes would help states fund programs at the level suggested by CDC."¹⁷
- The President's Cancer Panel's 2007 report, *Promoting Healthy Lifestyles*, advised increasing state tobacco taxes, stating, "Increases in tobacco excise taxes, which are passed along to consumers in the form of higher tobacco product prices, have proven highly effective in reducing tobacco use by promoting cessation among current users, discouraging relapse among former users, preventing initiation among potential users, and reducing consumption among those who continue to use tobacco. These revenues also provide crucial dollars needed to fund anti-tobacco efforts."¹⁸
- The 2000 U.S. Surgeon General's Report, *Reducing Tobacco Use*, found that raising tobacco-product prices decreases the prevalence of tobacco use, particularly among kids and young adults, and that tobacco tax increases produce "substantial long-term improvements in health." From its review of existing research, the report concluded that raising tobacco taxes is one of the most effective tobacco prevention and control strategies.¹⁹
- Wall Street tobacco industry analysts have long recognized the powerful role increased cigarette taxes and rising cigarette prices play in reducing U.S. smoking levels. For example, a December 1998 "Sensitivity Analysis on Cigarette Price Elasticity" by Credit Suisse First Boston Corporation settled on a "conservative" estimate that cigarette consumption will decline by four percent for every 10 percent increase in price.
- In its 1998 report, *Taking Action to Reduce Tobacco Use*, the National Academy of Sciences' Institute of Medicine concluded that "the single most direct and reliable method for reducing consumption is to increase the price of tobacco products, thus encouraging the cessation and reducing the level of initiation of tobacco use."²⁰

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- ¹ Philip Morris document, "General Comments on Smoking and Health," Appendix I in *The Perspective of PM International on Smoking and Health Initiatives*, March 29, 1985, Bates No. 2023268329-8348.
- ² Ellen Merlo, Senior Vice President of Corporate Affairs, Philip Morris, 1994 draft speech to the Philip Morris USA Trade Council, <http://legacy.library.ucsf.edu/tid/oyf35e00>.
- ³ R.J. Reynolds Executive D. S. Burrows, "Estimated Change In Industry Trend Following Federal Excise Tax Increase," RJR Document No. 501988846 -8849, September 20, 1982.
- ⁴ Philip Morris Research Executive Myron Johnston, "Teenage Smoking and the Federal Excise Tax on Cigarettes," PM Document No. 2001255224, September 17, 1981.
- ⁵ Philip Morris Executive Jon Zoler, "Handling An Excise Tax Increase," PM Document No. 2022216179, September 3, 1987.
- ⁶ Philip Morris Executive Claude Schwab, "Cigarette Attributes and Quitting," PM Doc. 2045447810, March 4, 1993.
- ⁷ Chaloupka, F, et al., "Tax, Price and Cigarette Smoking: Evidence from the Tobacco Documents and implications for tobacco company marketing strategies," *Tobacco Control* 11: 62-72, March 2002.
- ⁸ "Cigarette Sales Down after Tax Increases," *Convenience Store News*, June 5, 2009.
- ⁹ See, e.g., Chaloupka, F, "Macro-Social Influences: The Effects of Prices and Tobacco Control Policies on the Demand for Tobacco Products," *Nicotine and Tobacco Research*, 1999; other studies at <http://tigger.uic.edu/~fjc/>; Tauras, J, "Public Policy and Smoking Cessation Among Young adults in the United States," *Health Policy* 6*:321-32, 2004; Tauras, J, et al., "Effects of Price and Access Laws on Teenage Smoking Initiation: A National Longitudinal Analysis," Bridging the Gap Research, ImpactTeen, April 24, 2001, and others at <http://www.impactteen.org/researchproducts.htm>. Chaloupka, F & Pacula, R, *An Examination of Gender and Race Differences in Youth Smoking Responsiveness to Price and Tobacco Control Policies*, National Bureau of Economic Research, Working Paper 6541, April 1998, <http://tigger.uic.edu/~fjc/>; Emery, S, et al., "Does Cigarette Price Influence Adolescent Experimentation?," *Journal of Health Economics* 20:261-270, 2001; Evans, W & Huang, L, *Cigarette Taxes and Teen Smoking: New Evidence from Panels of Repeated Cross-Sections*, working paper, April 15, 1998, www.bsos.umd.edu/econ/evans/wrkpap.htm; Harris, J & Chan, S, "The Continuum-of-Addiction: Cigarette Smoking in Relation to Price Among Americans Aged 15-29," *Health Economics Letters* 2(2):3-12, February 1998, www.mit.edu/people/jeffrey.
- ¹⁰ See, e.g., U.S. Centers for Disease Control and Prevention (CDC), "Responses to Cigarette Prices By Race/Ethnicity, Income, and Age Groups – United States 1976-1993," *Morbidity and Mortality Weekly Report* 47(29):605-609, July 31, 1998, <http://www.cdc.gov/mmwr/preview/mmwrhtml/00054047.htm>; Chaloupka, F & Pacula, R, *An Examination of Gender and Race Differences in Youth Smoking Responsiveness to Price and Tobacco Control Policies*, National Bureau of Economic Research, Working Paper 6541, April 1998.
- ¹¹ Ringel, J & Evans, W, "Cigarette Taxes and Smoking During Pregnancy," *American Journal of Public Health (AJPH)*, 2001. See also, TFK Factsheet, *Harm Caused by Pregnant Women Smoking or Being Exposed to Secondhand Smoke*, <http://www.tobaccofreekids.org/research/factsheets/pdf/0007.pdf>.
- ¹² Chaloupka, F, Tauras, J & Grossman, M, "Public Policy and Youth Smokeless Tobacco Use," *Southern Economic Journal* 64(2):503-16, October 1997. Ringel, JS, Wasserman, J, & Andreyeva, T, "Effects of Public Policy on Adolescents' Cigar Use: Evidence From the National Youth Tobacco Survey," *AJPH* 95:995-998, 2005.
- ¹³ Chaloupka, F, et al., *Do Higher Cigarette Prices Encourage Youth to Use Marijuana?*, National Bureau of Economic Research, Working Paper No. 6939, February 1999.
- ¹⁴ TFK Factsheet, *Raising State Cigarette Taxes Always Increases State Revenues (and Always Reduces Smoking)*, <http://tobaccofreekids.org/research/factsheets/pdf/0098.pdf>.
- ¹⁵ "Calls to Wisconsin Tobacco Quit Line breaks all records," *The Dunn County News*, March 12, 2008. Souza, M, "Thank you for Smoking," *Longview-News Journal*, April 22, 2007; "Calls to Quitline Iowa double after cigarette tax raised," AP, March 22, 2007. See also, TFK Factsheet, *Quitlines Provide Essential and Effective Treatment Services*, <http://www.tobaccofreekids.org/research/factsheets/pdf/0326.pdf>.
- ¹⁶ CDC, Current Adult Smokers, Behavioral Risk Factor Surveillance System (BRFSS).
- ¹⁷ Institute of Medicine (IOM), *Ending the tobacco problem: A blueprint for the nation*, Washington, DC: The National Academies Press, 2007, <http://www.iom.edu/CMS/3793/20076/43179.aspx>.
- ¹⁸ President's Cancer Panel, *Promoting Healthy Lifestyles*, 2006-2007 Annual Report, August 2007, <http://deainfo.nci.nih.gov/advisory/pcp/pcp07rpt/pcp07rpt.pdf>.
- ¹⁹ U.S. Department of Health and Human Services (HHS), *Reducing Tobacco Use: A Report of the Surgeon General*, Atlanta, Georgia: HHS, CDC, National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health, 2000, http://www.cdc.gov/tobacco/data_statistics/sgr/sgr_2000/index.htm.
- ²⁰ IOM, *Taking Action to Reduce Tobacco Use*, Washington, DC: National Academy Press, 1998, http://www.nap.edu/catalog.php?record_id=6060.

APPENDIX F.

STATE BENEFITS FROM INCREASING SMOKELESS TOBACCO TAX RATES

Many states have been increasing their cigarette tax rates both to increase state revenues and to reduce smoking, especially among kids. But by neglecting to increase their smokeless and other non-cigarette tobacco taxes at the same time, some of these states have missed an opportunity to further reduce overall youth tobacco use and tobacco-caused harms, and secure additional new state revenues. Smokeless tobacco use is harmful and can be deadly. It causes oral cancer, gum disease, and nicotine addiction; and it increases the risk of cardiovascular disease, including heart attacks.¹ However, raising smokeless tobacco tax rates would directly reduce smokeless tobacco use, its harms, and costs.

Smokeless Tobacco Use Harms Kids and Leads to Lifetime Addictions

It is well established that smokeless tobacco use causes serious harm, including gum disease, and substantially increased risk of oral cancer.² Even worse, smokeless use during youth can lead to a lifetime of addiction to smokeless tobacco or, frequently, to cigarettes, as the nicotine addiction created by smokeless use ultimately leads to habitual smoking.³

Especially with the new smokeless tobacco products on the market, it is even more important to take measures to prevent youth initiation. Moist snuff now comes in a wide variety of kid-friendly flavors such as grape, apple, and vanilla, and because they are taxed – and priced – lower than cigarettes, they are more accessible than cigarettes. The big cigarette companies have recently introduced snus products, moist snuff and other flavorings in small teabag-like pouches that do not require spitting, using their popular cigarette brand names (R.J. Reynolds' Camel Snus, Philip Morris' Marlboro Snus, Liggett Group's Grand Prix Snus, and Lorillard's Triumph Snus). These products are so concealable that one high school student has admitted using Camel Snus during class, saying, "It's easy, it's super-discreet...and none of the teachers will ever know what I'm doing."⁴

Raising Smokeless Tobacco-Tax Rates Reduces Youth Use

As with cigarettes, raising the price of smokeless tobacco products through state tax increases or other means will prompt a reduction in smokeless tobacco use, especially among adolescents and young adults. For example, one study found that a 10 percent increase in smokeless tobacco prices reduces adult consumption by 3.7 percent and reduces male youth consumption by 5.9 percent, with two-thirds of that reduction coming from kids stopping any use of smokeless tobacco at all.⁵ In West Virginia (where male teenagers are twice as likely to use smokeless tobacco as any other male teenagers in the U.S.), an increase in smokeless tobacco prices would cause more than half to quit.⁶

After reviewing a number of research studies on the relationship between tobacco product prices and use rates, the independent U.S. Centers for Disease Control and Prevention (CDC) Task Force on Community Preventive Services similarly concluded that increases in tobacco prices decrease both adult and youth prevalence and reduce the quantity used by adolescents and young adults who do not quit. The Task Force also concluded that adolescents and young adults are two to three times more sensitive to tobacco price changes than adults. Accordingly, the Task Force strongly recommends excise tax increases to raise the unit prices of tobacco products in order to: 1) reduce consumption of tobacco products; 2) reduce tobacco-use initiation; and 3) increase tobacco-use cessation.⁷

Increasing Cigarette Taxes without Increasing Smokeless-Tobacco Taxes Prompts Kids to Start Using Smokeless

When cigarette prices and taxes increase without corresponding increases to other tobacco product taxes and prices, some users, especially youths, will simply switch to smokeless tobacco rather than quitting or cutting back or avoiding tobacco use altogether. In the 1980s, for example, when state cigarette taxes climbed much higher and faster than smokeless tobacco taxes, there was a substantial increase in smokeless tobacco use, especially among male youths, who make up 90 percent of adolescent

smokeless tobacco users.⁸ Data and research also show that adolescents substitute smokeless tobacco for cigarettes when smokeless is substantially cheaper.⁹ Moreover, recent research has confirmed that cigarette smokers who switch to smokeless tobacco have much higher risks of death and other health harms than those who quit tobacco use completely.¹⁰

Why shouldn't states have lower tax rates on smokeless tobacco products? At the federal level, smokeless tobacco products are already severely under-taxed compared to cigarettes. Smokeless tobacco products can pay anywhere from less than one-eighth to one-sixtieth of the tax on cigarettes, on a per-dose basis. That disparity in tax rates translates into lower prices for smokeless tobacco products, which ultimately makes the products more accessible by youth. With this big price advantage over cigarettes at the federal level, smokeless tobacco products don't need any additional tax breaks at the state level. Equalizing the state tax rate on all tobacco products would minimize shifts from one tobacco product to another cheaper one and to maximize the overall reduction in tobacco use.

Setting Smokeless Tobacco Tax Rates Effectively

Simply raising all state tobacco taxes will produce enormous benefits by reducing overall tobacco use, with an especially powerful negative effect on tobacco use by kids. To make the most impact on public health as well as to raise the most revenue, the best option for states is to use a modified percentage of price system with a minimum tax to capture the new low-weight smokeless tobacco products and equalize the rates to the cigarette tax rate.

In most states, smokeless and other non-cigarette tobacco-product taxes are already set at a percentage of manufacturer or wholesale prices. While cigarette taxes are typically set as certain amounts per pack, it is possible to translate those amounts into percentages of the prices charged by manufacturers through the manufacturer price. Another option is to compare the state cigarette tax per pack amount to the average retail price of cigarettes in the state, while also translating the other tobacco product taxes into retail price percentages.

To ensure that bargain-priced products pay their fair share of state tobacco taxes, a minimum tax should be added to the percentage of price tax rate. The minimum tax rate should be based on a 1.2-ounce package and set to equal the tax rate on a pack of cigarettes. For instance, a simplified version of the tax code language could be:

The tax on all smokeless tobacco products shall be the higher of the percentage-of price tax rate for tobacco products or the same amount as the total tax on a pack of 20 cigarettes for the first 1.2 ounces, with a proportionate tax on any weights of fewer or more than 1.2 ounces.

If the minimum tax is not set to match the tax rate on a pack of cigarettes, then states should include an annual inflation adjustment on the minimum tax to ensure that the state does not lose revenue as the value of the minimum tax erodes over time.

Percentage of Price vs. Simple Weight-Based Taxes. The U.S. Smokeless Tobacco Company (UST), the biggest U.S. manufacturer of smokeless tobacco products that is now owned by Altria (parent company of Philip Morris USA), has been trying to get more states to tax smokeless tobacco (specifically, moist snuff products) based on weight rather than by percentage of price to force the bargain-price brands (to whom UST is losing market share) to pay higher taxes. Over time, such shifts to a weight-based tax dramatically reduce the portion of state revenues gained from their smokeless tax, reducing the effective tax on the kinds of higher-priced premium products that UST sells and increasing the effective tax on lower-priced brands, predominantly sold by UST competitors.* In contrast, a percentage of price tax levies a fixed percentage tax on all smokeless products, ensuring that those products that bring in

* Even if a shift to a weight-based smokeless tax initially brought in more revenue than a state's existing percentage-of-price tax, the value of the revenues it would bring the state will erode over time due to inflation. In contrast, a percentage of price system will keep up with inflation, bringing the state more revenue as inflation and smokeless tobacco prices increase.

higher amounts of revenues and profits also pay higher amounts per can or dose while still paying the exact same percentage tax as less profitable brands. Indeed, a percentage-of-price tax is a flat tax.¹¹

But this is not just an issue of premium versus lower-price brands. The vast majority of kids who use smokeless tobacco use the higher-priced premium brands, such as UST's Copenhagen.¹² By ultimately lowering the price on the smokeless tobacco products most popular with kids, shifting to a weight-based tax would increase smokeless tobacco use among youth.¹³

Taxing by weight also provides a massive tax break to the new generation of smokeless tobacco products (e.g., Ariva, Stonewall, Snus products, new Camel Dissolvables) that can weigh as little as one-tenth as much as standard smokeless products. Accordingly, states with weight-based smokeless or moist snuff taxes will see their revenues shrink as this new wave of super-low-weight products takes over more and more of the total smokeless market.¹⁴

Because of all of these problems, shifting to a weight-based tax for smokeless tobacco or moist snuff is a problematic way to address UST's core complaint about smokeless brands with bargain-basement prices paying extremely low taxes per can or dose. To ensure that smokeless tobacco brands that engage in unfair competition or predatory pricing still pay reasonable amounts of tax, a state could simply add a minimum tax onto its existing percentage-of-price tax system.¹⁵

¹ See, e.g., The S.T.O.P. Guide (The Smokeless Tobacco Outreach and Prevention Guide): A Comprehensive Directory of Smokeless Tobacco Prevention and Cessation Resources, 1997; Hatsukami, D & Severson, H, "Oral Spit Tobacco: Addiction, Prevention and Treatment," *Nicotine and Tobacco Research* 1:21-44, 1999; See also, Campaign for Tobacco-Free Kids (TFK) Factsheet, *Smokeless Tobacco and Kids*, <http://www.tobaccofreekids.org/research/factsheets/pdf/0003.pdf>.

² See, e.g., TFK Factsheets, *Health Harms from Smokeless Tobacco Use*, <http://www.tobaccofreekids.org/research/factsheets/pdf/0319.pdf>, and *Smokeless Tobacco and Kids*, <http://www.tobaccofreekids.org/research/factsheets/pdf/0003.pdf>.

³ Institute for Social Research, The University of Michigan, *Monitoring the Future*; American Academy of Pediatrics, "Things You Should Know about Smokeless Tobacco," <http://www.aap.org/advocacy/chmchew2.htm>; CDC, "Is smokeless tobacco safer than cigarettes?," *SGR4Kids*, <http://www.cdc.gov/tobacco/sgr/sgr4kids/smokless.htm>. Tomar, S, "Is use of smokeless tobacco a risk factor for cigarette smoking? The U.S. experience," *Nicotine & Tobacco Research* 5(4):561-569, August 2003.

⁴ Nelson, L, "If you think Snus is a safe alternative to smoking, think again," *Kansas City Star*, October 31, 2007.

⁵ Chaloupka, F, et al., "Public Policy and Youth Smokeless tobacco use," *Southern Economic Journal* 64(2):503-516, 1997, <http://tiger.uic.edu/~fjc/Presentations/Scans/Final PDFs/sej1997.pdf>.

⁶ Goebel, LJ, et al., *A Tax on Smokeless Tobacco Would Decrease Tobacco Use: Evidence from a West Virginia Survey in Grades 5, 8 and 11* [White Paper], 2001.

⁷ The independent Task Force on Community Preventive Services includes representatives from CDC, other government agencies, and academic researchers. Its work on tobacco issues has been published in the following: Hopkins, DP, et al., "Evidence reviews and recommendations on interventions to reduce tobacco use and exposure to environmental tobacco smoke: A summary of selected guidelines," *American Journal of Preventative Medicine* (AJPM) 20(2S): 67-87, 2001, http://www.thecommunityguide.org/home_f.html; Hopkins, DP, et al., "Reviews of evidence regarding interventions to reduce tobacco use and exposure to environmental tobacco smoke," *AJPM* 20(2S):16-66, 2001, http://www.thecommunityguide.org/PDFS/ets_rev.pdf; Task Force on Community Preventive Services, "Recommendations regarding interventions to reduce tobacco use and exposure to environmental tobacco smoke," *AJPM* 20(2S):10-15, 2001.

⁸ Chaloupka, F & Warner, K, "Section 2.4: Econometric studies of the demand for other tobacco products," *Economics of Smoking*, 36-37, January 12, 1999, <http://tiger.uic.edu/~fjc/Presentations/Papers/handfinal.pdf>. U.S. Department of Health and Human Services (HHS), *Preventing Tobacco Use Among Young People: A Report to the Surgeon General*, 1994, <http://www.cdc.gov/tobacco/sgr/sgr4kids/smokless.htm>.

⁹ See, e.g., Chaloupka, F & Warner, K, "Section 2.4: Econometric studies of the demand for other tobacco products," *Economics of Smoking* 36-37, January 12, 1999; HHS, *Preventing Tobacco Use Among Young People: A Report to the Surgeon General*, 1994, http://www.cdc.gov/tobacco/data_statistics/sgr/sgr_1994/index.htm.

¹⁰ Henley, S.J., et al., "Tobacco-Related Disease Mortality Among Men Who Switched From Cigarettes to Spit Tobacco," *Tobacco Control* 16:22-28, February 2007.

¹¹ TFK Factsheet, *The Best Way to Tax Smokeless Tobacco is with a Percentage-of-Price Tax*, <http://tobaccofreekids.org/research/factsheets/pdf/0282.pdf>. American Lung Association (ALA), *Taxation of Smokeless Tobacco: Percentage of Price vs. Net Weight*, <http://www.tobaccofreekids.org/research/factsheets/pdf/0175.pdf>.

¹² Institute for Social Research, The University of Michigan, *Monitoring the Future*.

¹³ Substance Abuse and Mental Health Services Administration, *Results from the 2005 National Survey on Drug use and Health: Detailed Tables*, Table 7.67B, <http://oas.samhsa.gov/NSDUH/2k5nsduh/tabs/Sect7peTabs58to67.pdf>.

Chaloupka, F, et al., "Public Policy and Youth Smokeless tobacco use," *Southern Economic Journal* 64(2):503-516, 1997, [http://tiger.uic.edu/~fjc/Presentations/Scans/Final PDFs/sej1997.pdf](http://tiger.uic.edu/~fjc/Presentations/Scans/Final%20PDFs/sej1997.pdf). See also, TFK Factsheet, *The Best Way to Tax Smokeless Tobacco is with a Percentage-of-Price Tax*, <http://tobaccofreekids.org/research/factsheets/pdf/0282.pdf>.

American Lung Association (ALA), *Taxation of Smokeless Tobacco: Percentage of Price vs. Net Weight*, <http://www.tobaccofreekids.org/research/factsheets/pdf/0175.pdf>.

¹⁴ TFK Factsheet, *The Best Way to Tax Smokeless Tobacco is with a Percentage-of-Price Tax*, <http://tobaccofreekids.org/research/factsheets/pdf/0282.pdf>.

¹⁵ The Campaign for Tobacco-Free Kids has model legislative language, available upon request, to establish a minimum tax in existing state percentage of price tobacco tax systems – or to modify existing or proposed weight-based tax systems for smokeless or moist snuff so that (like a percentage-of-price system) they keep up with inflation and product price increases, do not fail to tax low-weight products adequately, and better protect the public health. To get any of this model legislative text, please email elindblom@tobaccofreekids.org.

APPENDIX G.

EXPLANATIONS AND SOURCES FOR PROJECTIONS OF NEW REVENUES & BENEFITS FROM STATE CIGARETTE TAX INCREASES

The Campaign for Tobacco-Free Kids projections of increased state revenues and other benefits from raising state cigarette tax rates reflect the basic fact that cigarette tax increases both boost state cigarette tax revenues and reduce smoking because the increased tax per pack brings in more new revenue than is lost from the declines in pack sales caused by consumption declines or increased smoker tax avoidance prompted by the price increase.

These projections are based, in part, on research findings that a 10% cigarette price increase, if maintained against inflation, reduces youth smoking rates by 6.5% or more, adult rates by 2%, and total consumption by 4%. [See, e.g., Chaloupka, F.J., "Macro-Social Influences: The Effects of Prices and Tobacco Control Policies on the Demand for Tobacco Products," *Nicotine & Tobacco Research*, 2000, and other price studies at <http://tigger.uic.edu/~fjc>; Tauras, J, et al., "Effects of Price and Access Laws on Teenage Smoking Initiation: A National Longitudinal Analysis," Bridging the Gap Research, ImpacTeen, April 24, 2001, and other price studies at <http://www.impacTeen.org>.]

But these elasticity findings are adjusted downward to be conservative and to account for some smokers avoiding the price increases through a range of tax evasion strategies. Despite such tax evasion, cigarette tax increases reduce smoking rates, which, in turn, reduces smoking caused disease, death, and economic costs. Parallel increases to state excise taxes on other tobacco products would similarly provide additional new state excise tax and sale tax revenue – while also reducing the use of these products in the state, and reducing related harms and healthcare costs.

These projections are fiscally conservative because they include generous adjustments for lost state pack sales (and reduced state revenue gains) caused by new tax avoidance efforts by continuing in-state smokers and, where applicable, fewer in-state cigarette sales to supply smokers from other states, informal smugglers, criminal smuggling organizations, or multistate internet sellers. [See, e.g., Farrelly, M, et al., "Cigarette Smuggling Revisited," U.S. Centers for Disease Control & Prevention (CDC), in press, and Farrelly, M, et al., *State Cigarette Excise Taxes: Implications for Revenue and Tax Evasion*, RTI International, 2003, http://www.rti.org/pubs/8742_Excise_Taxes_FR_5-03.pdf.]

These projections incorporate the impact of both background smoking declines and the 61.66-cent federal cigarette tax rate increase (effective April 1, 2009) on state smoking levels, pack sales, and pack prices.^{*} Industry analysts and the Congress's Joint Committee on Taxation expect the 2009 federal cigarette tax increases to reduce cigarette sales, nationwide, by a percentage in the high single digits. In addition, industry experts expect future smoking declines of roughly four to five percent per year. [See, e.g., Standard & Poor's, *Altria Group: Sub-Industry Outlook*, October 31, 2009.] Smoking and pack sale declines in any particular state, however, will vary depending on its existing smoking rates, pack prices, and other tobacco prevention activities. To be even more conservative, the projected amounts not only assume significant background declines and federal tax increase reductions but have also been rounded down.

Despite all of these conservative adjustments, the projections still show that non-trivial state cigarette tax increases will both significantly reduce smoking levels and substantially increase state revenues. The increased tax per pack will still bring in more new state revenue than is lost from the decrease in the number of packs sold caused by the tax increase from either consumption declines, tax avoidance, or smuggling. And that is exactly what has happened in every state that has significantly increased its cigarette tax rates. [See, e.g., Factsheet, *Raising State Cigarette Taxes Always Increases State Revenues (and Always Reduces Smoking)*, <http://tobaccofreekids.org/research/factsheets/pdf/0098.pdf>.]

^{*} Cigarette company price cuts and other factors could work to increase cigarette consumption and sales in the state, which would increase state cigarette tax revenues beyond the projected amounts.

In those states that apply their sales tax percentage to the total retail price of a pack of cigarettes (including the state cigarette tax amount), a cigarette tax increase will raise state sales tax revenues per pack, which will offset sales tax revenue losses from fewer packs being sold. In addition, smokers who quit or cut back will likely spend the money they previously spent on cigarettes largely on other goods on which sales tax is collected, which further increases state sales tax revenues.

These projections assume that the tax increase is fully passed on in higher prices, and keeps up with inflation over time. The starting price per pack (before the proposed cigarette tax increase) used in these projections includes all federal and statewide excise and sales taxes but not any purely local taxes (except that NY City's \$1.50 per pack tax is factored into the overall NY State price per pack), and is based on data from *The Tax Burden on Tobacco*, 2008, reports of state cigarette tax increases, media reports on tobacco company price changes, and USDA Economic Research Service's Tobacco Briefing Room. The starting price per pack data have been slightly adjusted downward because *The Tax Burden on Tobacco* does not completely account for retailer-based discounts, promotions, and coupons.

These projections assume that the state or district will follow standard practice and apply the cigarette tax increase to all previously tax-stamped or otherwise tax-paid cigarettes held in inventory by wholesalers or retailers on the effective date of the increase. Failing to tax such cigarettes held in inventory would open the door to massive pre-increase stockpiling by retailers and wholesalers to evade the increase, delaying and reducing the amount of new state revenues.

The projected adult and youth smoking and smoking-harmed birth declines, and related mortality reductions are calculated by applying the above findings regarding the effects of tax and price increases to the number of current adult smokers in each state and to estimates from CDC of the number of kids alive today in each state who will become adult smokers and the number projected to die from smoking. [CDC, *Behavioral Risk Factor Surveillance System* (BRFSS). CDC, "Smoking During Pregnancy—United States, 1990-2002," *Morbidity and Mortality Weekly Report (MMWR)* 53(39):911-915, October 8, 2004, <http://www.cdc.gov/mmwr/PDF/wk/mm5339.pdf>. CDC, "Annual Smoking-Attributable Mortality, Years of Potential Life Lost, and Economic Costs—United States 1995-1999," *MMWR* 51(14):300-03, April 11, 2002, www.cdc.gov/mmwr/preview/mmwrhtml/mm5114a2.htm. CDC, "Annual Smoking-Attributable Mortality, Years of Potential Life Lost, and Economic Costs—United States 2000-2004," *MMWR* 57(45):1226-1228, November 14, 2008, <http://www.cdc.gov/mmwr/preview/mmwrhtml/mm5745a3.htm>. CDC, *State Data Highlights 2006*, http://www.cdc.gov/tobacco/data_statistics/state_data/data_highlights/2006/index.htm. For an explanation of how CDC makes its projections of the number of kids alive today in each state who will become adult smokers and the number projected to die from smoking, see CDC, "Projected Smoking-Related Deaths Among Youth—United States," *MMWR* 45(44):971-974, November 11, 1996, <http://www.cdc.gov/mmwr/preview/mmwrhtml/00044348.htm>, which also contains data on relative death risks of smokers, nonsmokers, former smokers, etc.]

Because of research and data limitations, it is not yet possible to estimate health savings in each year following a cigarette tax increase, or even provide reasonable estimates of the total health care savings over the first five or ten years. Although smoking-caused healthcare cost savings from a cigarette tax increase will be relatively small in the first year after an increase, they grow quickly. The listed 5-Year savings from fewer smoking-caused heart attacks and strokes and from fewer smoking-affected pregnancies and related birth complications show just some of the many substantial savings from the smoking reductions prompted by a tax increase that begin to accrue immediately.

The projected healthcare savings from reducing the number of future youth and current adult smokers accrue over the lifetimes of kids alive in the state today who quit or don't start because of tax increase and over the lifetimes of those current adult smokers who quit because of the tax increase. Smokers' lifetime healthcare costs average at least \$17,500 higher than nonsmokers (in 2004 dollars), despite shorter life spans; but the savings per each adult quitter are less than that because adult smokers have already been significantly harmed by their smoking and have already incurred or locked-in extra, smoking-caused health costs. [Hodgson, TA, "Cigarette Smoking and Lifetime Medical Expenditures," *The Milbank Quarterly* 70(1), 1992. See also, Nusselder, W, et al., "Smoking and the Compression of

Morbidity,” *Epidemiology & Community Health*, 2000; Warner, K, et al., “Medical Costs of Smoking in the United States: Estimates, Their Validity, and Their Implications,” *Tobacco Control* 8(3):290-300, Autumn 1999, <http://tc.bmjournals.com/content/vol8/issue3/index.shtml>. CDC, “Projected Smoking-Related Deaths Among Youth—United States,” *MMWR* 45(44):971-974, November 8, 1996, <http://www.cdc.gov/mmwr/preview/mmwrhtml/00044348.htm>. CDC, “Annual Smoking-Attributable Mortality, Years of Potential Life Lost, and Economic Costs—United States 2000-2004,” *MMWR* 57(45):1226-1228, November 14, 2008, <http://www.cdc.gov/mmwr/preview/mmwrhtml/mm5745a3.htm>]

5-Year Heart & Stroke Savings projections show the estimated reductions in smoking-caused healthcare expenditures within first five years after the tax increase from reduced smoking-caused heart attacks and strokes, based on Lightwood & Glantz, “Short-Term Economic and Health Benefits of Smoking Cessation – Myocardial Infarction and Stroke,” *Circulation* 96(4), August 19, 1997. [See, also, Kabir, et al., “Coronary Heart Disease Deaths and Decreased Smoking Prevalence in Massachusetts, 1993-2003,” *American Journal of Public Health* 98(8):1468-69, August 2008.] These savings will increase steadily in subsequent years. The projected 5-Year Smoking Births Savings accrue from declines in smoking among pregnant women and corresponding reductions in smoking-caused birth complications and related first-year health costs. [Miller, D, et al., “Birth and First-Year Costs for Mothers and Infants Attributable to Maternal Smoking,” *Nicotine & Tobacco Research* 3:25-35, 2001; and state pregnancy-smoking and births data.]

All projected savings have been adjusted to 2004 dollars, using the same methodology used by CDC to update its data on state smoking-caused costs, to make them comparable to CDC’s estimates of smoking-caused state costs. [See CDC, *Sustaining State Programs for Tobacco Control: Data Highlights 2006*, http://www.cdc.gov/tobacco/data_statistics/state_data/data_highlights/2006/index.htm.] These projections do not include a range of additional short and long-term savings from other declines in smoking-caused health problems and other smoking-caused costs. [See, e.g., U.S. Department of the Treasury, *The Economic Costs of Smoking in the U.S. and the Benefits of Comprehensive Tobacco Legislation*, 1998.]

APPENDIX H.

NATIONAL SURVEY OF REGISTERED VOTERS January 2010

The national telephone survey of 847 registered voters was conducted through ICR's (International Communications Research) EXCEL Study from January 20-24, 2010. The full voter sample for the survey has a margin of error of plus or minus 3.4 percentage points. Total numbers are rounded and may not equal 100 percent.

As you may have heard, virtually all states are currently facing severe budget deficits. I am going to read you a list of proposals that have been suggested as ways to address the state budget deficit. After I read each one, please tell me if you FAVOR or OPPOSE that proposal. (INSERT ITEM) Do you FAVOR or OPPOSE that proposal? (FOLLOW UP WITH) Do you (favor/oppose) that proposal strongly or not so strongly?

(RANDOMIZE ITEMS)	Strongly favor	Somewhat favor	Somewhat oppose	Strongly oppose	DK	Total favor	Total oppose
1. Reduce funding for education	10	7	16	65	2	17	81
2. Reduce funding for health care programs	10	12	20	53	4	22	74
3. Increase the state income tax	7	12	18	57	4	20	76
4. Increase the state tobacco tax	47	13	11	27	2	60	38
5. Increase the state sales tax	8	17	18	54	3	25	72
6. Increase the state gasoline tax	6	13	16	64	1	19	80
7. Reduce funding for Medicaid health services	10	6	21	60	3	16	81
8. Reduce funding for road maintenance and construction	10	17	30	40	4	26	70
9. Reduce funding for police and state law enforcement	10	10	21	58	2	20	78

10. Would you FAVOR OR OPPOSE a one dollar per pack increase in the state tobacco tax, with part of the revenue dedicated to a program to reduce tobacco use, particularly among kids, and the rest dedicated to addressing the state budget deficit? (FOLLOW UP WITH) And would you strongly or somewhat (favor/oppose)?

Strongly favor	53
Somewhat favor	14
Somewhat oppose	7
Strongly oppose	24
Neither favor nor oppose	1
Don't know	1
Refused	0
Total Favor	67
Total oppose	31

11. Now I'm going to read you some statements about two candidates for state office and ask for whom you would vote: (ROTATE)

Candidate X supports a one dollar per pack tobacco tax increase with part of the revenue dedicated to a program to reduce tobacco use, particularly among kids, and the rest used to address the state budget deficit.

Candidate Y opposes the plan to increase the tobacco tax one dollar per pack because our state taxes are already too high.

For which of these candidates would you vote? (FOLLOW UP WITH) Would you be much more likely or somewhat more likely to vote for that candidate?

Much more likely Candidate X	37
Somewhat more likely Cand X	22
Somewhat more likely Cand Y	11
Much more likely Candidate Y	24
Neither/ no difference	3
Don't know	2
Refused	0
Total Candidate X (Supports Tax)	59
Total Candidate Y (Opposes Tax)	35

12. And, would you FAVOR OR OPPOSE a fifty cent per pack increase in the state tobacco tax, with part of the revenue dedicated to a program to reduce tobacco use, particularly among kids, and the rest dedicated to addressing the state budget deficit? (FOLLOW UP WITH) And would you strongly or somewhat (favor/oppose)?

Strongly favor	50
Somewhat favor	17
Somewhat oppose	7
Strongly oppose	24
Neither favor nor oppose	1
Don't know	1
Refused	0
Total Favor	67
Total oppose	31

13. Which of the following describes your use of tobacco products?

I currently smoke cigarettes	16
I USED to smoke cigarettes, but I've quit	34
I have never been a cigarette smoker	50
Smokeless or other tobacco user	0
Refused	0

14. (ASKED AMONG CURRENT NON-SMOKERS) And do you never smoke, or do you smoke on occasion?

Never smoke	90
Smoke on occasion	10
Total smoker	24
Total non-smoker	76

APPENDIX I.

VOTERS IN ALL STATES SUPPORT SIGNIFICANT INCREASES IN STATE CIGARETTE TAXES

The results of numerous ballot initiatives, as well as polls conducted in states throughout the country in recent years, have consistently shown broad public support for cigarette-tax increases. A January 2010 nationwide poll found that 67 percent of voters favor a \$1 increase in their state tobacco tax (Nationwide survey of 847 registered voters conducted January 20-24, 2010 by International Communications Research). In 40 different states, polls conducted in recent years show strong majority support for an increase in the state's cigarette tax, with results ranging from 74 percent of voters supporting a 93-cent-per-pack increase in a tobacco-growing state (South Carolina) to 76 percent supporting a \$1 increase in New Mexico. In most states, voters favor the proposed cigarette tax increase by more than a two-to-one margin.

As shown in more detail below, these polls have found that Democrats, Republicans, independents and voters from a broad range of demographic groups all strongly support tobacco tax increases – as do significant numbers of smokers. In addition, voters also express a strong preference for political candidates who favor and vote for significant tobacco tax increases. To balance state budgets, voters prefer cigarette-tax increases to other tax increases or to budget cuts; but voters also strongly believe that at least some tobacco-tax revenues should be used for programs to prevent and reduce smoking, especially among kids.

Support for cigarette-tax increases is bipartisan. In the 74 state polls that provide the data, majorities of Democrats, Republicans and independents all support increasing the state tobacco tax. In Louisiana, for example, 72 percent of Democrats and 72 percent of Republicans support a \$1 increase in the cigarette tax. Before Texas increased the state tobacco tax by \$1, a survey of Republican primary voters in Texas found that 73 percent would support a \$1 increase (to \$1.41 per pack).

Supporting tobacco tax increases wins votes for candidates of both parties from voters from both parties. In each of the 39 state polls where the question was asked, voters prefer candidates for state offices who support increases to cigarette taxes over candidates who oppose them – *regardless of the candidates' party affiliations*. Even more remarkably, in virtually all states, at least 30 percent of voters from each of the major parties said they would cross party lines to vote for a candidate of the opposite party who supports the cigarette tax if the candidate from their own party did not. For example:

- In Tennessee, 38 percent of Republicans would support a Democrat who supports the tobacco-tax increase over a member of their own party who opposes it. Likewise, 36 percent of Democrats prefer a Republican who supports the tax to a Democrat who opposes it.
- Polling in another six states shows that, by at least a two-to-one margin, voters indicated that they would be *more likely* (rather than less likely) to support a candidate who backed an increase in the tobacco tax.

The amount of the tax increase makes little difference to voters. Voter support for a tobacco tax increase does not diminish even with a higher amount. For example, 68 percent of Nevada voters would support both a 75-cent increase and a \$1 increase in the tobacco tax. Even in South Carolina, a tobacco-growing state, the percentage of voters supporting a 93-cent increase (74 percent) and a 50-cent increase (75 percent) is near identical, and intensity of support is even higher for the larger amount.

* This factsheet is based on all the state polls on state tobacco-tax increases conducted in recent years for which the Campaign for Tobacco-Free Kids was able to obtain comprehensive information regarding the questions asked and the answers received. Other state polls have also been done that, according to press reports and available summaries, show equally strong voter support for tobacco tax increases (see examples at end of document).

To balance state budgets, voters strongly prefer increasing state tobacco taxes over other tax increases or cuts to vital state programs. Out of nearly 50 state polls, more than 80 percent of the surveys confirmed this finding.^{*} In addition, a January 2010 national poll found that:

- A strong majority (60 percent) of voters favor raising the tobacco tax as a way to address the state budget deficit, while only 38 percent oppose raising this tax. No other option tested received majority support. In fact, voters overwhelmingly oppose other tax increases or spending cuts that may be necessary to address the budget deficit. Voters soundly reject increases in the state sales tax (72 percent oppose), income tax (76 percent oppose) and gasoline tax (80 percent oppose). Reducing funding for specific programs is also unpopular, including reducing funding for education (81 percent oppose), Medicaid (81 percent oppose), law enforcement (78 percent oppose), health care (74 percent oppose), and road maintenance and construction (70 percent oppose).

Voters clearly want some of the revenue from tobacco-tax increases to be used to fund tobacco prevention efforts – and most support using tobacco-tax revenues for tobacco prevention more than for any other purpose. In every state in which the question was asked, voters expressed strong support for cigarette tax increases that directed some of the new revenue to support programs to reduce tobacco use among kids. For example:

- When asked to choose, a significant majority of South Carolina voters agree that revenue from a cigarette tax increase should be used to reduce tobacco use, especially among children, and to expand access to health care (62 percent), rather than to reduce other state taxes (34 percent).
- Eighty-two percent of Kentucky voters feel it is important to dedicate a portion of new cigarette tax revenue to tobacco prevention.

Voters support taxing all tobacco products at the same rate. In many states, tobacco products such as cigars and chewing tobacco are taxed at a rate lower than cigarettes. Recent surveys show there is strong support for taxing other tobacco products at the same rate as cigarettes.

- A recent survey found that more than eight in 10 Pennsylvania voters (84 percent) favor taxing other tobacco products at the same rate as cigarettes.
- An 81 percent majority of Massachusetts voters favor taxing products such as smokeless tobacco, chewing tobacco, roll-your-own tobacco and smaller cigars at the same rate as cigarettes.
- Seventy-three (73) percent of Ohio voters support correcting the inequity between the cigarette tax and the tax on other tobacco products and using the revenue to fund tobacco prevention programs.
- Nearly seven in ten Michigan residents (69 percent) support increasing the tax on cigars, smokeless tobacco and loose tobacco and using the revenue to fund tobacco prevention programs and health care services. (Public Opinion Regarding Tobacco Policies in Michigan. *Michigan BRFSS Surveillance Brief*. Vol. 2, No. 3. Lansing, MI: Michigan Department of Community Health, Chronic Disease Epidemiology Section, October 2008).
- Earlier polls in New Mexico and Kentucky found similar levels of support (83 percent and 82 percent, respectively) for taxing other tobacco products such as cigars and smokeless, or spit tobacco, at a rate comparable to cigarettes.

^{*} In the few states where increasing the tobacco tax was not the most favored way to address the budget deficit, it ranked second or third, often just 1 to 5 percentage points behind the most popular choice.

There is strong support for increasing tobacco taxes, even on the heels of another increase in the tobacco tax.

- A May 2009 poll of Oregon voters found that 67% supported increasing the state cigarette tax by 60-cents per pack. When voters were reminded that the federal tobacco tax was recently increased by more than 60-cents per pack, overall support for increasing the state tax remained high at 64%.
- A February 2009 poll of Minnesota voters found that support for an increase in the state tobacco tax (72 percent) was not diminished by a recently-enacted increase in the federal tobacco tax. Support for a state increase came even though nearly half of voters (46 percent) were aware of the recent federal increase. Even when voters weren't aware of the federal increase, when given information about the 62-cent per pack increase, 80 percent said knowledge of the federal increase either made no difference in their opinion or made them more likely to support an increase in the state tax.
- A May 2003 poll found that Oregon voters support increasing the tobacco tax by 75 cents if the revenue goes to tobacco prevention and health care, even when they are reminded that Oregon just increased the tobacco tax by 60 cents per pack.
- A poll taken after New York state raised its cigarette tax to \$1.50 per pack found that 68 percent of New York City voters supported an additional \$1.42 per-pack increase within the city – a measure proposed and signed into law by Mayor Michael Bloomberg (R). A subsequent poll conducted for the Coalition for a Smoke-Free city found that 73 percent of New York City voters favored the tobacco tax increase (Global Strategy Group, Inc., March 2002). Among all New York State voters, support for applying the new \$1.42 increase statewide was 59 to 38 percent. (Quinnipiac University survey, February 2002).

Support for tobacco-tax increases is strong among voters of all ethnicities. In Mississippi, 70 percent of African Americans and 67 percent of white voters support a 75-cent increase. In Florida, 89 percent of African American voters, 89 percent of Hispanic voters and 76 percent of white voters support a \$1 increase (to \$1.34 per pack).

Significant numbers of smokers support tobacco-tax increases. In Louisiana, 47 percent of current tobacco users support a \$1 increase in the cigarette tax and 43 percent support an 89-cent increase in Virginia. In the 64 polls with this data, an average of 39 percent of current tobacco users support increasing the state cigarette tax.

Large majorities of low-income persons strongly support tobacco tax increases. In South Carolina, 58 percent of voters with family incomes less than \$20,000 per year support a 93-cent increase. In all the other states with this data, at least 53 percent of voters in families with low incomes support substantial cigarette tax increases.

Voters have a history of approving tobacco tax increases. Despite expensive, aggressive campaigns by cigarette companies to defeat ballot initiatives to increase cigarette tax rates, voters have consistently expressed strong support for tobacco-tax increases. In recent elections, voters in five states voted to increase the tobacco tax.

- **Arizona:** Proposition 203, approved 53 to 47 percent, increased Arizona's cigarette tax by 80 cents per pack (and also increased the tax on other tobacco products) and utilized the revenue to fund early childhood development programs. (November 2006)
- **Colorado:** By 61 to 39 percent, voters increased the state cigarette tax by 64 cents to 84 cents per pack and dedicated some of the new revenue to fund tobacco prevention programs, with the rest earmarked for other health-related programs. (November 2004)
- **Montana:** By 63 to 37 percent, voters increased the state cigarette tax by \$1 to \$1.70 per pack and dedicated some of the revenue to health care programs. The measure also increased the tax on other tobacco products. (November 2004)

- **Oklahoma:** By 53 to 47 percent, voters increased the state cigarette tax by 80 cents to \$1.03 per pack, as well as taxes on other tobacco products. The revenue was dedicated to various health-related programs. The Oklahoma victory came despite the fact that proponents of the initiative were outspent by opponents, funded largely by Philip Morris and R.J. Reynolds, who spent almost \$2 million in an attempt to defeat the initiative. (November 2004)
- **South Dakota:** By 61 to 39 percent, voters increased South Dakota's cigarette tax by \$1 per pack and the tax on other tobacco products from 10 to 35 percent of the wholesale price. This new revenue went to fund tobacco prevention and cessation programs, property tax relief, education enhancement and health care. (November 2006)

In November 2002, by a margin of two to one (67 percent to 33 percent), Arizona voters increased the state cigarette tax by 60 cents and dedicated some of the revenue to restore funding for the state's highly successful tobacco prevention program. In September 2002, 64 percent of Oregon voters approved a 60-cent per pack cigarette tax increase, with some of the funds dedicated to tobacco prevention. In November 2001, 66 percent of Washington state voters approved a measure to raise the state cigarette tax by 60-cents per pack, dedicating the funds to tobacco prevention and health care. Ballot initiatives have also raised state cigarette tax rates in California (11/98 & 11/88), Oregon (11/96), Arizona (11/94), and Massachusetts (11/92), despite the fact that spending by the major cigarette companies to defeat the proposed tobacco-tax increases far exceeded the expenditures in favor of the increases.

Examples of Additional Polling Data On Public Support for Tobacco Tax Increases

- An independent poll conducted by Elon University found that 73% of North Carolinians support increasing cigarette taxes to help address the state budget situation. (Elon University survey of 758 North Carolina voters conducted February 22-26, 2009).
- A Washington Post poll of Maryland residents found strong support for increasing the cigarette tax by \$1 per pack. Almost seven in 10 Maryland residents support increasing taxes on cigarettes, including eight in 10 nonsmokers and nearly four in 10 smokers. (*Washington Post*, October 24, 2007, survey of 1,103 MD adults conducted October 18-22, 2007).
- A March 2007 poll found that 59% of Oregon voters supported a cigarette tax increase of 84.5 cents per pack (Riley Research poll of 478 registered voters by Mar. 5 - Mar. 15, 2007, published in *The Oregonian*, March 14, 2007).
- In Pennsylvania, seven out of ten voters (71%) support higher cigarette taxes to help pay for health insurance for Pennsylvania residents (Quinnipiac University survey of 1,014 Pennsylvania voters, released February 7, 2007).
- A *Des Moines Register* poll found 67% of Iowa adults favor raising the cigarette tax by \$1 per pack (*Des Moines Register*, January 30, 2007, survey of 800 Iowans conducted Jan. 21 - Jan. 24, 2007).
- In New Hampshire, nearly four out of five voters (78%) approve of increasing the state cigarette tax, making it the most preferred way to balance the state budget. (Becker Institute survey of 401 New Hampshire voters, published in the *New Hampshire Union Leader* May 25, 2005).

State Polls Summarized In This Factsheet

Alaska – QEV Analytics (2/04); *Market Strategies* (4/03)
California – Fairbank, Maslin, Maullin & Associates
(6/09 and 3/03)

Connecticut – Univ. of CT Center for Survey Research
and Analysis (3/09); Mellman Group (2/02);
Market Strategies/Mellman Group (5/01)

Florida – *Public Opinion Strategies* (3/08), Vantage
Point Strategies (1/06)

Georgia – *Public Opinion Strategies* (1/08), Mellman
Group (4/02)

Illinois – *Market Strategies/Mellman Group* (1/02)

Indiana – *Public Opinion Strategies/Mellman Group*
(1/07), Massie, Inc. (4/01 and 12/01)

Iowa – QEV Analytics (1/05); *Market Strategies* (3/02)

Kansas – *Market Strategies* (12/01)

Kentucky – *Public Opinion Strategies* (12/08), Opinion
Research Associates (8/07), Mellman Group (1/04
and 12/02)

Louisiana – Mellman Group (4/09)

Maine – *Critical Insights* (4/07), *Market
Strategies/Mellman Group* (5/01)

Maryland – *Opinion Works* (8/07 and 4/06); Mellman
Group (2/02)

Massachusetts – *Global Strategy Group* (3/09), Kiley &
Company (1/08), Mellman Group (3/02); *Market
Strategies/Mellman Group* (5/01)

Michigan – Mitchell Research (3/04)

Minnesota – *Decision Resources* (2/09); *Market
Strategies/Mellman Group* (1/02)

Mississippi – *Public Opinion Strategies* (4/09 and 6/08),
Mellman Group (2/06)

Nebraska – *Global Strategy Group* (4/09), *Public
Opinion Strategies* (2/07), *Market Strategies* (2/03
and 1/02)

Nevada – Mellman Group (4/09); Greenberg, Quinlan,
Rosner Research (6/02)

New Hampshire – *Market Strategies/Mellman Group*
(5/01)

New Jersey – Validata Research. (4/03 and 2/02)

New Mexico – *Research & Polling* (1/09 and 7/02)

New York – *Global Strategy Group* (2/08)

North Carolina – *Global Strategy Group* (6/02)

Ohio – *Midwest Communications* (4/08 and 7/04)

Oklahoma – QEV Analytics/Mellman Group (1/04)

Oregon – Davis, Hibbitts & Midghall (5/09); *Grove
Insight* (3/07), Davis & Hibbitts (5/03)

Pennsylvania – *Susquehanna Polling & Research*
(3/09, 3/03 and 4/02)

Rhode Island – *Market Strategies/Mellman Group*
(5/01)

South Carolina – *Public Opinion Strategies* (12/08 and
1/06)

South Dakota – *Market Strategies* (1/03)

Tennessee – Mellman Group (3/06)

Texas – *Market Strategies* (5/02)

Utah – Dan Jones & Associates (11/07)

Vermont – Mellman Group (1/06); *Market
Strategies/Mellman Group* (3/02 and 5/01)

Virginia – *Global Strategy Group* (1/09); Mason Dixon
Research (1/04 and 8/02)

Washington – Myers Research (11/08)

West Virginia – Mellman Group (9/02)

Wisconsin – *Public Opinion Strategies/Mellman Group*
(2/07), *Public Opinion Strategies* (4/03); *Market
Strategies/Mellman Group* (1/02)

Wyoming – Harstad Strategic Research (11/05); *Market
Strategies* (10/02)